FIVE STAR
Business Finance Limited

40 FORTITUDE

Annual Report 2022 - 23

FIVE STAR

Business Finance Limited

Note: Across this report, the word 'Five Star' refers to 'Five-Star Business Finance Limited.'

Forward-looking statement

In this Annual Report we may have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make, may contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialise or should underlying assumptions prove inaccurate, our actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

CORPORATE INFORMATION

Board of Directors

Lakshmipathy Deenadayalan
Anand Raghavan
Srinivasaraghavan T T
Bhama Krishnamurthy
Ramkumar Ramamoorthy*
Vikram Vaidyanathan
Ravishankar G V
Thirulokchand Vasan

Key Managerial Personnel

Rangarajan Krishnan, Chief Executive Officer
Srikanth Gopalakrishnan, Chief Financial Officer
Shalini Baskaran, Company Secretary

Statutory Auditors

S R Batliboi & Associates LLP
6th Floor, A Block, Tidel Park,
No:4, Rajiv Gandhi Salai, Taramani,
Chennai 600 113

Internal Auditors

Sundaram & Srinivasan
23, C P Ramaswamy Road,
Alwarpet, Chennai 600 018

Secretarial Auditors

S Sandeep & Associates
No: 5, Flat No: 10, Second Floor, Sucons Padmalaya,
Venkatnarayana Road, T.Nagar, Chennai - 600 017

Registered Office

New No 27, Old No 4, Taylor's Road,
Kilpauk, Chennai 600010
CIN: U65991TN1984PLC010844

Registrar & Transfer Agents

KFin Technologies Limited
(Unit: Five-Star Business Finance Limited)
Selenium, Tower B, Plot No 31 and 32, Financial District,
Nanakramguda, Serilingampally, Hyderabad,
Rangareddi 500 032, Telangana, India
Phone: 1800 309 4001 | Email: einward.ris@kfintech.com

NSDL Database Management Limited
4th Floor, Trade World, 'A' Wing, Kamala Mills
Compound, Senapati Bapat Marg, Lower Parel,
Mumbai – 400013
Phone: 022-4914 2597 | Email: sachin.shinde@nsdl.co.in

*Appointed w.e.f June 08, 2022

CONTENTS

Our Vision

"Reaching the Unreached through suitable credit solutions"

Our Mission

"Provide appropriate credit solutions to the hitherto unreached segment of the market by developing a niche underwriting model, built towards evaluating the twin strengths of the borrowers' intention to repay and ability to repay, with the ultimate objectives of increasing customer satisfaction and maximising stakeholder returns"

Message from The Chairman & Managing Director

Lakshmipathy Deenadayalan

It is with diametrically opposite feelings of pride and humility that I am connecting with all of you this year. May 07, 1984 is a date that has remained etched in our memories, the day that saw the birth of your Company. November 21, 2022 is another date that would remain indelibly in our heart and soul, the day that saw your Company emerge as a listed entity. Both these were moments of immense pride, for, they shine as glowing jewels in the crown of Five Star. But the way the entire listing panned out showed me how it is important to remain humble amidst all achievements and glory.

IPO is one of the most important dreams of every entrepreneur. The feelings of an entrepreneur at the time of his / her Company's listing are the same as the feelings experienced by a mother who sees her son or daughter reach a coveted position in the world. Words are inadequate to express those emotions. And I experienced this moment for myself when the clock struck 10 am on November 21, 2022. It was a long journey that culminated when we rang the bell in the National Stock Exchange to commence the listing of your Company's shares, but by no means was this journey an easy one.

I firmly believe that Five Star is a "Category Creator" and pioneered the concept of lending to small business customers more than 2 decades back, when the entire lending was focused on consumer durables and vehicles. It took almost a decade for us to understand the customers, who were graduating from the unorganised to the organised lending for the first time, and tailor an underwriting model that would help us evaluate their character, cashflow and collateral, 3 C's as we call them, in an appropriate manner. When we firmly believed that we had understood them, we embarked on a period of high growth, moving from an AUM of about 130 Crores in 2015 to about 4,000 Crores in 2020. Over this entire journey of 15 years, we were very attractive both on profitability and asset quality.

We filed our draft prospectus with SEBI in November 2021 and embarked on roadshows to make potential investors interested in our issue. However, during this journey, we were beset with unforeseen developments like the Russia – Ukraine war, certain regulatory pronouncements on upgradation of NPAs, market meltdown due to global factors, interest rate increases etc which cast significant uncertainty over the size, timing and which, eventually had an impact on the issue subscription. Life seemed quite bleak when we were unable to achieve even a 1x subscription to our issue, despite your Company being extremely strong on growth, profitability and quality.

But we never gave up hope – we set out to meet people, who believed in us, and dispel doubts in the minds of others as well. We just focused on doing what we can and left the results to providence. Being an ardent fan of Thiruvalluvar's teachings, the following couplet was running in my mind.

ஊழையும் உப்பக்கம் காண்பர் உலைவின்றித்
தாழாது உஞற்று பவர்

Those who strive with undismayed and unfaltering mind, shall be able to leave the opposing fate behind.

We did what we can, and the unseen hand of providence did what it had to – despite opening at a discount, the stock premium reached significant highs, as high as over 14%, finally closing at a premium of over 3% on the listing day. And I am happy to state that over the past many months, the stock has always remained above its issue price. As the Chairman and Managing Director of your Company, I have believed that one of my responsibilities is to create and enhance shareholder value and I feel satisfied to have discharged my responsibility well so far.

On the operational and financial fronts, FY 2023 has been a year of resurgence, especially with the last couple of years having been impacted by COVID. And during this year, your Company has re-emerged into a strong growth phase along with achieving some of the best results on both operational and financial fronts.

- Disbursal of over 3,391 Crores along with the borrower base closing around 3 lakhs during the year.
- Your Company also saw its portfolio growth registering an increase of ~37% during the year i.e. growing from 5,067 Crores to 6,915 Crores.
- Growth in Profit after Tax (PAT) from 454 Crores to 603 Crores, an increase of about 33%.

During the year, your Company also transitioned into the new upgradation norms under IRAC, wherein an account that slips into NPA (which is to be reckoned on a daily basis) can be upgraded only upon payment of all the dues by the customers. I am happy to state that even this circular has not had any major impact on NPA and we ended FY 2023 with 1.36% as against 1.05% in FY 2022 (which did not have any impact of the revised norms). I am very confident that we will continue to manage this effectively without any major increases in the coming years as well.

With the COVID clouds behind us, I am very confident that we will continue the growth momentum in the years to come to emerge as one of the market leaders in the Small Business loan lending segment, along with maintaining our strong profitability and asset quality.

None of this would have been possible without the concerted and dedicated effort of the 7,000+ Stars of Five Star, who rose to the occasion and managed every challenge that was thrown at them. My heartfelt thanks to them. I would also like to express my thanks to all other stakeholders viz. shareholders, lenders, directors, auditors and other industry stakeholders like the rating agencies, regulatory bodies, who have been of immense support to your Company. I look forward to their continued support.

Over the past few years, we have successfully waded numerous challenges such as demonetisation, liquidity crisis, COVID wave 1 and 2 and finally the IPO challenge, and needless to say, we have emerged not just successful but much stronger from every crisis. The courage and strength shown during times of adversity determines greatness – your Company has shown immense resilience at the face of every single crisis and as we step into the fortieth year, nothing better defines your Company than Fortitude ("Forty-tude"). With all your good wishes, I look forward to Five Star scaling new peaks in the years to come and celebrate its Golden Jubilee with the same resilience and fortitude.

Best Wishes
Lakshmipathy Deenadayalan
Chairman & Managing Director

THE FIVE-STAR ADVANTAGE

Five-Star Business Finance Limited, formerly known as Five-Star Business Credits Limited, was incorporated in 1984. The Founders named the brand Five-Star, which was perceived to be a very catchy name then. But synonymous to the name, the Company has developed a set of five advantages, which have been the bedrock on which the edifice has been built.

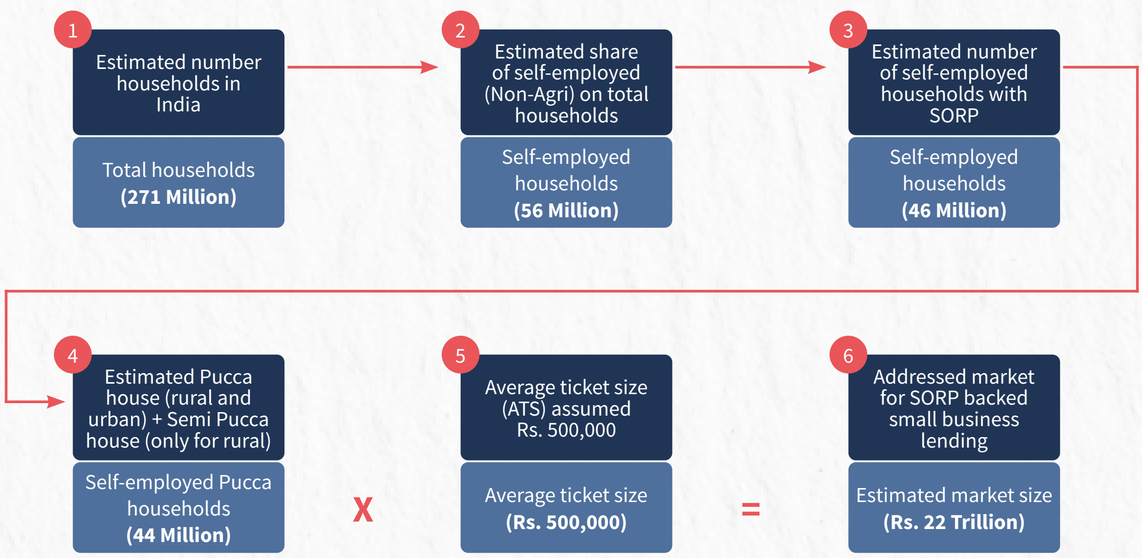
1. HUGE UNTAPPED OPPORTUNITY

We had commissioned CRISIL Research to do a sizing of the market opportunity for Small Business loan lending. The sheer size of the gap between the supply and demand of credit and the number of enterprises impacted indicates a veritable opportunity in business loan financing.

CRISIL Research has attempted to decipher the size of the potential opportunity in secured residential property-backed secured MSME lending (hereafter referred to as the Addressable market for secured MSME loans), using data, information and insights at a state-level pertaining to:

- Number of households from NSS 76th round (July 2018-December 2018)
- Self-employed non-agricultural households in both urban and rural areas from Periodic Labour Force Survey (PLFS) dated July 2019-June 2020
- Proportion of self-employed households, which are staying in their own pucca or semi-pucca home (which can be taken as a collateral by financiers) from NSS 76th round (July 2018-December 2018)

Based on their analysis and assumptions detailed in the chart below, small ticket size secured (SORP – Self occupied residential property) MSME lending market potential is estimated at Rs 22 trillion.



While the latent market opportunity is indeed significant, there are not many formal financiers who cater to this segment and have built scale. This can be attributed to the high cost of serving the market and the time it takes to build expertise, the requirement of having a strong knowledge of the local market and regional dynamics, and the challenges associated with building a credit underwriting model for non-income proof customers and collections infrastructure.

Most small businesses in India do not maintain documents such as income proof, business registration, GST registration, income tax filings, and bank statements, making credit assessment challenging. To illustrate, as per GST council data, only 13.7 million enterprises across various size dimensions were registered under GST as of May 2022. Hence, these businesses have limited or no access to formal credit from banks and financial institutions due to the requisite documentation and stringent underwriting norms.

Given this situation and given our physical and human infrastructure, we are in a unique position to immensely benefit from the large opportunity available and garner a huge portion of the market share. Having recognised the market potential well ahead of time and having accessed capital with a well thought out strategy and build a strong management and execution team, we are well-poised to emerge as one of the market leaders in the small business loans segment in the years to come.

2. CYCLE-TESTED, ROBUST BUSINESS MODEL

Over 4 decades of operations and specifically 2 decades of operating in the Small Business Loans segment, we have curated a business model that can withstand the various shocks that can hit the Company or the industry. We have built our business model after deep understanding of the customer behaviour and strong understanding of local market and regional dynamics.

Lending to small business customers is not easy as there are several challenges that companies will have to overcome:

a. Predominantly backed by informal documents and daily noting – lack of formal documentary proofs of income
b. Customers who are highly informal with minimal banking habits
c. Lack of reliable credit histories
d. Complex segment necessitating the ability to conduct physical inspections and ecosystem checks

It is imperative to build a business model that can provide answers to these challenges, and this is exactly what we did between 2005 and 2015, when the business model was not just built but kept getting strengthened based on the experience that we gleaned from the borrower behaviour on the loans that were provided to them. Once we were confident that we had almost perfected our business model, we decided to press the growth pedal leading to almost doubling of the AUM every year between FY2016 and FY2020.

We have an underwriting model to provide secured financial solutions to small business owners and self-employed individuals and over the last two decades of operation in this particular product, are among the select institutions to have developed such model in India. The model is customer centric and is underpinned by underwriting practices that triangulate the character, cash-flow, and collateral of potential customers.

Character "Intent to repay"	**Cashflow** "Ability to repay"	**Collateral** "For bad times"

This methodology of underwriting ensures we can evaluate both the willingness and the ability of the customer to repay the loan, despite the absence of traditional documentary proofs of income. This has enabled us to mitigate credit risk and successfully underwrite new loans while maintaining our asset quality.

Our underwriting practices are characterized by a multi-level evaluation process for each loan, where the sourcing team is responsible for conducting the preliminary assessment of each potential borrower, which is then independently evaluated by our Field Credit Team, before our File Credit Team reviews and approves the loan proposal. We have evolved this underwriting model over time and through economic cycles to ensure that it remains relevant and captures all key elements that we view as critical to maintain a robust asset quality. Fundamental elements of our underwriting model, include:

- loans are given to the household where all household members whose cash-flows are factored in to evaluate the proposal or those who have a current or potential claim on the property being mortgaged, shall be included as co-applicants to the loan proposal;
- deliberately focusing on services oriented businesses with majority of the target market comprising individuals that are typically impacted by macro down-cycles last, while being first to emerge from such cycles;
- multiple physical verification touchpoints by our Business and Collection teams and our Field Credit Teams to assess applicants and collateral;
- SORP collateral focus;
- all activities carried out as part of our underwriting process are undertaken by our employees, which we believe ensures staff accountability;
- independent field credit verification is undertaken on all proposals;
- limit loan approval powers to the File Credit Team only, with loan amount limits based on approver experience; and
- conservative loan-to-value ratios and debt-burden ratios.

The first evaluation in our underwriting model is to understand the character of the borrower. Character signifies the intent of the borrower to repay. Character assessment that is done through neighbourhood checks, trade checks and other ecosystem checks.

Once we have established the right intent of the borrower, we then proceed towards evaluation of his income and consequent ability to repay. Our business model is predicated on arriving at an appropriate risk framework, with the optimal debt-burden ratio to ensure that our customers have the necessary means to repay the loan after meeting their regular obligations and other event-based capital requirements. Our customer credit evaluation follows a four-layered process - two layers within the business and collections team (one by the relationship officer who sourced the proposal and another with the Branch Manager for verifications) and two layers within the credit team (the Field Credit Team and File Credit Team verifications). We also have a two layered underwriting architecture comprising a field credit team that is "on the ground" and closer to the customer (the "Field Credit Team"); and a file credit team that remotely reviews loan applications and undertakes credit decisioning (the "File Credit Team"). We have implemented a comprehensive and robust credit assessment, risk management and collections framework to identify, monitor and manage risks inherent in our line of business. Such organizational structure, credit assessment and risk management and collections framework has allowed us to maintain our robust asset quality during macro downcycles.

Despite the strong underwriting, we don't provide unsecured loans. All our loans are secured against a collateral, which is typically land and building and largely the house in which the borrower and his / her family lives (Self-Occupied Residential Property or "SORP"). Our belief that stands vindicated over the last 20 years is that incomes support the loan during good times while it's the collateral that ensures priority for our loan repayment during bad times. This is why even during stressful times such as demonetisation, first and second waves of COVID, we never faced a major asset quality issue. We continued to have a pristine asset quality even during macro downcycles.

3. STRONG COLLECTIONS INFRASTRUCTURE

While our underwriting model contributes to suitable customers being onboarded, we have also created a strong "on-ground" collections infrastructure to ensure that we maintain a high asset quality. Many of our customers have previously borrowed from moneylenders or other such unorganized lenders, and although we have observed minor delays in the servicing of regular monthly instalments, which we view as a typical part of the repayment culture, such delays don't necessarily translate into loan defaults. A key mechanism we use to prevent defaults in such circumstances is maintaining a strong collections infrastructure designed to keep the credit and repayment discipline of the borrower intact. Our collections infrastructure is underpinned by the following:

- branches adequately staffed with Relationship Officers, with an optimal number of loans per Relationship Officer, which is expected to provide each officer with the capacity to undertake both business and collections activities effectively;
- branches staffed with persons sourced from the local area, with each branch servicing an area with a limited radius, resulting in branch staff being able to quickly attend a customer's location as issues arise;
- keeping the responsibility of sourcing and collections with the same Relationship Officer (up to a certain vintage of the loan) so that he/she is incentivised to source suitable files and undertake follow-up activities with the customers until closure of the loan;
- move the loans beyond a certain vintage to a dedicated collections vertical which allows stronger and more focused oversight; and
- branch staff incentives aligned with each of business and collections targets so that meeting such targets in both areas are required to qualify for incentives.

We also have a strong monitoring mechanism that ensures involvement and intervention from various individuals across our business, all of which also ensures a robust asset quality. Depending on the DPD bucket of the loan, intervention is provided either by the branch officials or from the Head Office and our senior management including Deputy Head – Business and Collections, Chief Business Officer, COO, CEO and the Chairman and Managing Director become involved on a need basis with all efforts being made so that the account stabilises in the same category or rolls back into lower categories. For default loans, there is a coordinated effort between the corporate office and the branch to bring the account to a lower category.

4. ROBUST AUDIT, RISK MANAGEMENT & COMPLIANCE FRAMEWORK

Our 100% in-house sourcing, comprehensive credit assessment and robust risk management and collections framework allows us to identify, monitor and manage risks inherent in our operations. Our risk management framework includes a comprehensive audit mechanism of internal audits performed at a corporate level on a quarterly basis, regular branch level audits and management audits, which cover specific risk-based assignments. We have set up a Risk Management Committee to review and identify current and emerging risks, develop risk assessment and measurement systems and establish policies, practices and other control mechanisms to manage risks and develop risk tolerance limits, monitor positions against approved risk tolerance limits and report its findings to senior management. The Risk Management Committee is also kept informed of accounts that have turned into "quick mortality accounts" (i.e., accounts that turn NPA within one year of disbursal) and any gaps in the underwriting process that have led to this, including staff accountability.

We have a robust audit, risk management and compliance architecture that ensures multi-layered oversight to each of these functions. The framework adopted by the Company is given below:

As can be seen from the structure enumerated above, the framework comprises of Board Committees, External Consultants and Internal Functions which would collectively take care of the audit, risk management and compliance functions in the Company. Each of the risks that may be applicable to an NBFC viz. Credit risk, Operational risk, Financial risk, Technology risk, Fraud risk, Liquidity risk, etc would either be overseen by one of the Board Committees or managed through the process of Internal Financial Controls. This structure brings in a high level of effectiveness to the risk management function within the Company.

5. CAPABLE & EXPERIENCED MANAGEMENT & EXECUTION TEAMS

We are led by qualified and experienced management personnel, who are supported by a capable and motivated team of managers and other employees. Our management team has knowledge and understanding of the small business finance landscape in India and the expertise and vision to organically grow our business. They also have diverse experience in a range of financial products and functions related to our business and operations and are supported by qualified personnel who have an in-depth understanding of the geographic regions in which we operate, our loan products and customer segment as a result of our focus on hiring local staff with strong local personal and professional networks.

Our Chairman and Managing Director, Lakshmipathy Deenadayalan, has been associated with Five-Star for the past 20 years. He has a deep understanding of customer behavior and our business and operations and has been critical to developing and enhancing our business model and driving our total income and profitability.

We have a management team with the right mix of experience and expertise to lead the respective functions. The Management team members are young, self-motivated and fully committed to the vision and mission of the organisation. We have seen close to nil attrition in the management team which translates to the fact that the management team members are extremely cohesive and have been together for a reasonably long period of time. This has also facilitated a cooperative and collaborative work culture within the organisation.

Further, our field teams (business and collections, and credit) and our file credit teams have an in-depth understanding of our customer segment, loan products, types of collateral and businesses of our borrowers. Our field teams are extremely dynamic, energetic, vibrant and fully committed to achievement of organisational goals. Further, our field teams are well supported by all the support functions viz. operations, finance & accounts, technology, legal, HR, admin, etc such that the entire staff base of over 7,000 employees work as one coordinated unit to realise all our dreams and ambitions.

OUR INITIAL PUBLIC OFFER

Five-Star went public in November 2022 with an offering of 33,512,901 shares priced at INR 474 each.

One of the most significant milestones that every Company wishes to achieve is to witness the Company going public and become a listed entity on the stock exchanges. November 21, 2022 is a date that will be etched in the minds of all Five-Star employees, for, on this date, the shares of the Company got listed on the National Stock Exchange and Bombay Stock Exchange.

The process towards the IPO (Initial Public Offering) of the Company started sometime in August 2021, when the decision to file to Draft Red Herring Prospectus with SEBI was taken. We filed our DRHP with SEBI on November 10, 2021, received the approval from SEBI on January 07, 2022 and finally the shares were listed on the exchange for trading commencement on November 21, 2022.

Immense challenges were faced during the 12 months from the filing of DRHP till the listing but the "FORTITUDE" with which we faced every challenge and emerged successful is extremely noteworthy. We had marquee investors who subscribed to our issue, both as part of the anchor and main book.

The IPO helps us on multiple fronts:

a. Would enhance our visibility and provides the Company with access to a much larger base of investors;
b. Would help enhance our governance and compliance processes, which could lead to better rating, and thereby access to better quality debt at optimal cost;
c. The listing of our shares provides the private-equity investors with liquidity on the investments they have made over the years;
d. Provide us with the ability to access the capital market anytime for our equity funding needs; and
e. Listed companies command much better respect in the eyes of the investors, market and regulators.

As already said, the process towards listing was not a smooth one but the steady uptick in the share price post listing is vindication of the Company's strength and the investors' confidence in the ability of the Company to grow profitably and sustainably.

As already said, the process towards listing was not a smooth one but the manner in which steady the manifold challenges were faced to eventually emerge successful stands testimony to the Fortitude and Resilience of the Company.

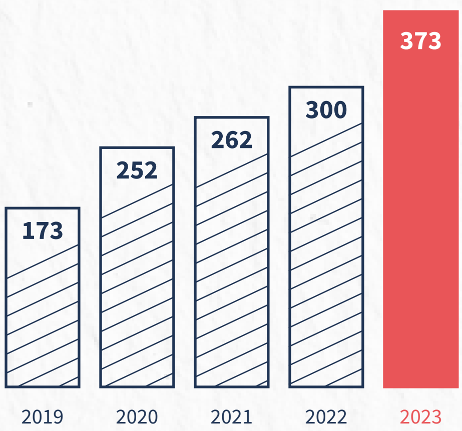

FIVE STAR
Business Finance Limited
Listing on
NSE
NSE


NSE
NSE

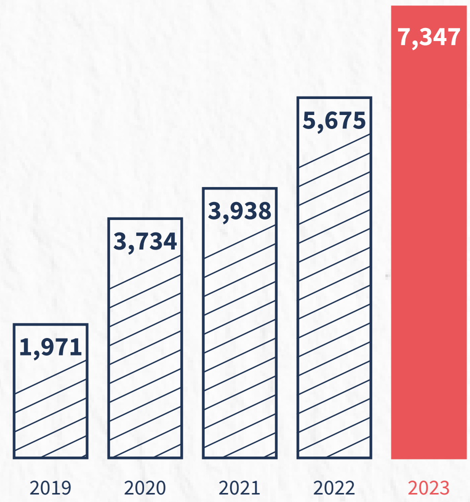

NSE
NSE
Business
Listing on
SMALL BUSINESSES ARE THE LIGHT THAT MAKES INDIA'S FUTURE BRIGHT
FIVE STAR
Listing on
NSE
NSE

Business Highlights

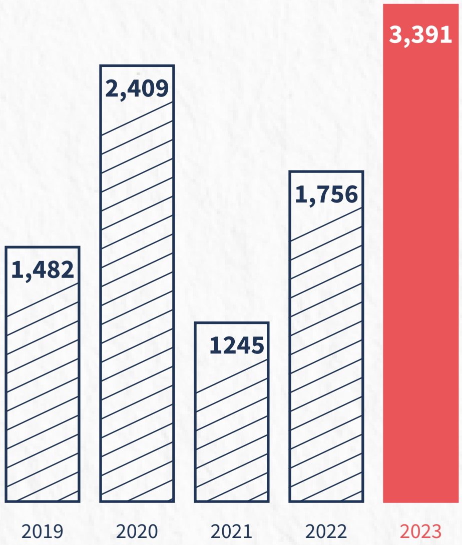
Branches



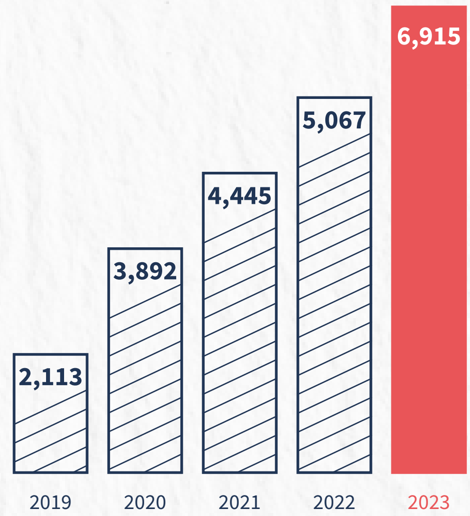
Employees



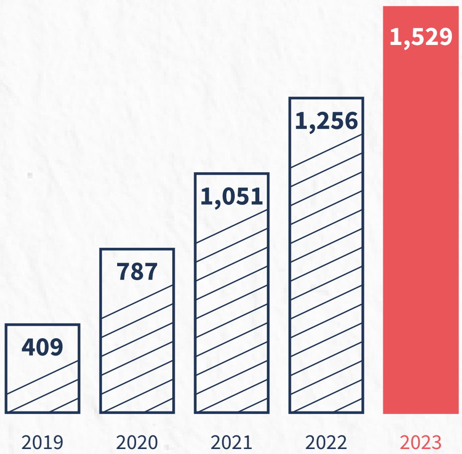
Loan Disbursments (In Crores)



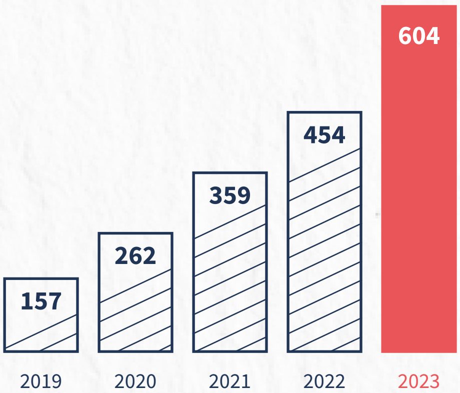
Loan Portfolio (In Crores)



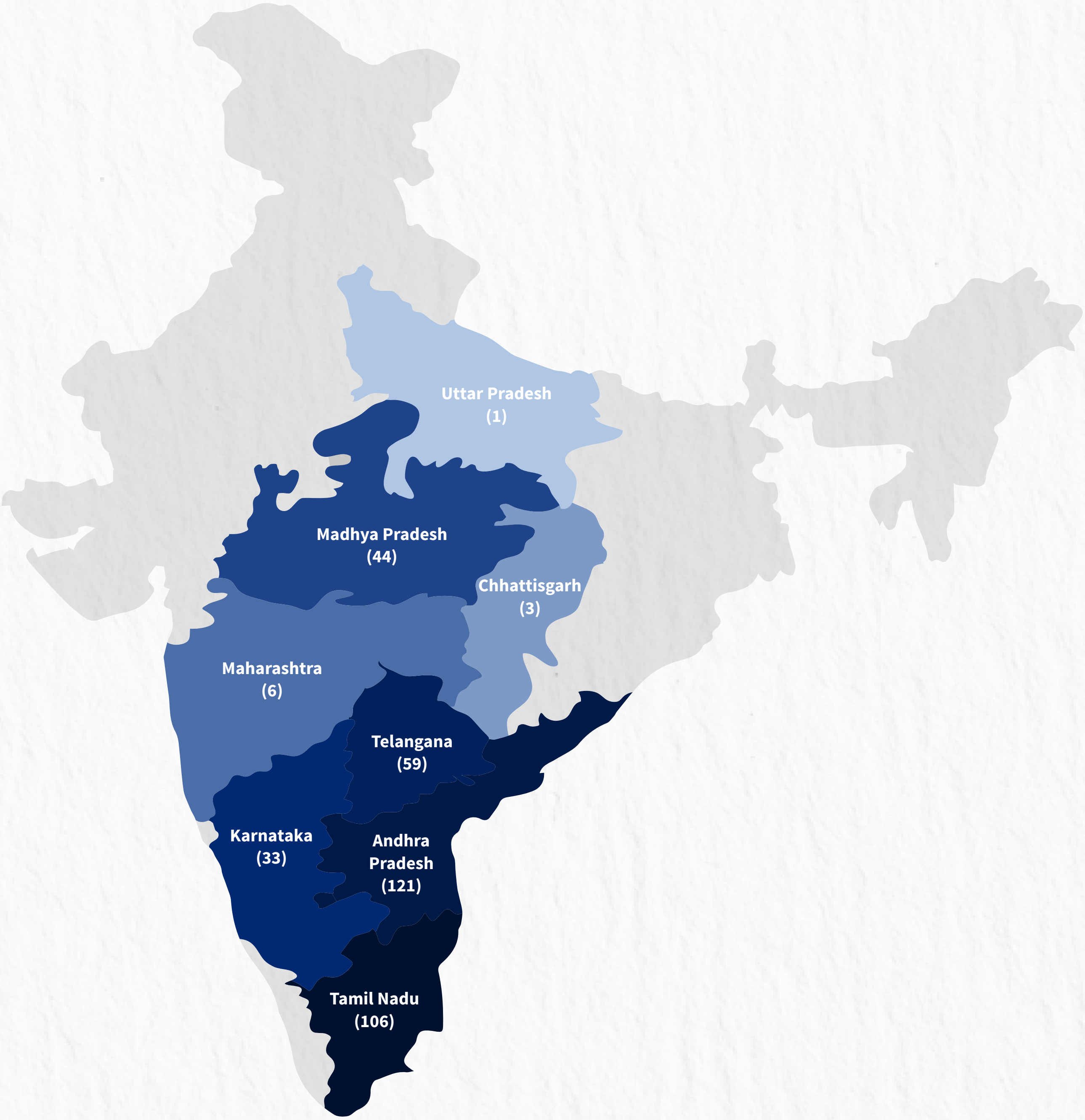
Revenues (In Crores)



Profit after Tax (In Crores)



Branches


Uttar Pradesh
(1)
Madhya Pradesh
(44)
Chhattisgarh
(3)
Maharashtra
(6)
Telangana
(59)
Karnataka
(33)
Andhra
Pradesh
(121)
Tamil Nadu
(106)

Lending Relationships

Banks

Axis Bank
AU Small Finance Bank
Bandhan Bank
Bank of Baroda
Bank of India
Bank of Maharashtra
Central Bank of India
City Union Bank
CSB Bank
DBS Bank
DCB Bank
Equitas Small Finance Bank
Federal Bank
HDFC Bank
HSBC
ICICI Bank
IDFC First Bank
Indian Bank
IndusInd Bank
Karnataka Bank
Karur Vysya Bank
Kotak Mahindra Bank
Punjab National Bank
RBL Bank
South Indian Bank
State Bank of India
Ujjivan Small Finance Bank
Union Bank of India
Utkarsh Small Finance Bank
YES Bank

NBFCs

Aditya Birla Finance
AK Capital
Arka Fincap
Bajaj Finance Ltd
Cholamandalam Inv & Fin Co Ltd
Hero Fincorp
MAS Financial Services
Nabkisan Finance
Nabsamruddhi Finance
Tata Capital

Others

responsAbility
Swedfund
Unifi
Vivriti AMC

Board of Directors

Lakshmipathy Deenadayalan

Chairman & Managing Director

RMC SRC CSR BRC ITC ALCO

Lakshmipathy is an Engineering graduate from Madras University. Hailing from an entrepreneurial family, he joined Five-Star in 2002 as an Executive Director. He was responsible for pioneering the current business model of providing secured financial solutions to micro-entrepreneurs and self employed individuals. He has been instrumental in growing the business across geographies, maintaining a stellar asset quality, inducting professionals into the Company's Board and management team. He had also been associated with trade bodies like the Finance Companies Association of India and South India Hire Purchase Association in leadership positions.

Anand Raghavan

Independent Director

ACM NRC RMC CSR

Anand is a Chartered Accountant with over 30 years of industry experience. He worked in Sundaram Finance for over 20 years occupying several positions in Finance and Audit. He also worked as a Partner in Ernst & Young LLP covering Tax and Regulatory aspects of various industries like Financial Services, Real Estate, Auto and Auto components, Media and Entertainment. His specializations include NBFC Regulations, Corporate Tax and Foreign Investment and Exchange control regulation and Corporate restructuring.

Bhama Krishnamurthy

Independent Director

ACM NRC RMC CSR

Bhama was Country Head and Chief General Manager of SIDBI. She has closely dealt with Multilateral and Bilateral Agencies in close co-ordination with the Government of India. Her areas of specialization include, interalia, handling of Human Resources Development Division covering recruitment, training and promotion aspects. She was also associated with drafting of CSR Policy guidelines for the Bank.

Srinivasaraghavan T T

Independent Director

RMC

Srinivasaraghavan is a graduate in Commerce and holds a Master's in Business Administration from the Gannon University, Pennsylvania. He began his career as a banker, before moving to Sundaram Finance Limited in 1983. Starting his career as a department manager in the Company, he was elevated as its Managing Director in 2003. He retired from Sundaram Finance on March 31, 2021 after 38 years of service, 18 of them as its Managing Director

Ramkumar Ramamoorthy

Independent Director

RMC SRC ITC

Ramkumar Ramamoorthy spent over 22 years at Cognizant, a NASDAQ 100, S&P 500 and Fortune 200 Company. He incubated and built about half a dozen portfolios at Cognizant and retired as Chairman and MD of Cognizant India, responsible for the Company's India operations with over 200,000 employees across 13 cities. Prior to joining Cognizant, Ramkumar worked for Tata Consultancy Services. He is now a Partner at Catalincs, a strategic advisory firm that helps small tech companies scale and grow, and the Pro Vice-Chancellor of Professional Learning at Krea University.

Appointed w.e.f June 08, 2022

Ravishankar G V

Non-Executive Director

ITC

G V Ravishankar is a Managing Director of Sequoia Capital India. Prior to joining Sequoia, he has also worked at McKinsey in the capacity of an advisor to management teams of top Indian Companies. He had also worked at Wipro prior to McKinsey, where he helped several venture-backed networking start-up clients on a wide variety of issues. He has a Masters in Business Administration from Indian Institute of Management (IIM), Ahmedabad where he was awarded the President's Gold Medal. He also holds a BE in Computer Science and Engineering from REC.

Vikram Vaidyanathan

Non-Executive Director

ACM NRC BRC

Vikram is a MBA graduate from IIM Bangalore, and interned at Procter & Gamble, Singapore. He joined McKinsey & Co. after his MBA and worked across a variety of sectors including mobile media, TV, retail, engineering construction and manufacturing. Currently Vikram is one of the Managing Directors at Matrix Partners.

Thirulochand Vasan

Non-Executive Director

SRC BRC

Thirulokchand is a Hotel Management Graduate with over 17 years of experience in the Hospitality business. His areas of expertise include Team Management, Customer satisfaction and Process Optimisation.

Committee Indications

ACM - Audit Committee
NRC - Nomination & Remuneration Committee
RMC - Risk Management Committee
SRC - Stakeholder's Relationship Committee
BRC - Business & Resource Committee
CSR - Corporate Social Responsibility Committee
ITC - IT Strategy Committee
ALCO - Asset & Liability Committee

Director's Report

Directors' Report

Your directors have the pleasure in presenting the 39th Annual Report together with the audited financial statements of the Company for the financial year ended March 31, 2023. The summarised financial results of the Company are presented hereunder:

Financial Results - Financial Highlights

₹ in Crores

Particulars	FY 2022 - 23	FY 2021 -22
Revenue from Operations	1,520.85	1,254.06
Other Income	8.08	2.11
Expenses	724.19	651.96
Profit before tax	804.73	604.21
Tax expenses	201.24	150.66
Profit after tax	603.50	453.54
Other comprehensive income	(2.21)	(2.23)
Total comprehensive income	601.29	451.31
Asset under management	6,914.83	5,067.07

Your Company has adopted Indian Accounting Standards (IND AS) notified under Section 133 of Companies Act, 2013 read with Companies (Indian Accounting Standards) Rules 2015.

Material Developments

Initial Public Offer

During the financial year ended March 31, 2023, your Company, has successfully completed Initial Public Offer ("IPO" or "Issue") of the 33,512,901 equity shares of face value of INR 1 each at a price of INR 474.00 per equity share, including premium of INR 473.00 per equity share aggregating to INR 1588.51 Crores through offer for Sale of equity shares by TPG Asia VII SF Pte. Ltd, Matrix Partners India Investment Holdings II LLC, Matrix Partners India Investments II Extension LLC, SCI Investments V and Norwest Venture Partners X - Mauritius, as named in the prospectus, and the shares of the Company were listed in National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) w.e.f November 21, 2022. The Annual Listing Fees for the financial year 2023-24 has been paid by your Company to both the Stock Exchanges.

Despite the difficult market conditions under which the IPO got consummated, noteworthy investors subscribed to the issue which reflects their confidence in your Company. Your Directors wish to place on record their gratitude for the trust, faith and confidence reposed by the institutional investors, public, and other shareholders in the Company even during the challenging environment, thus making the IPO successful.

Your Directors also place on record their deep appreciation for the significant contribution and sincere efforts made in the IPO process by the Merchant Bankers, legal counsels to the offer, Registrar to the Offer, Advertising Agency, Syndicate Members, Monitoring Agency, Bankers to the Offer, the Reserve Bank of India, Registrar of Companies - Chennai, Stock Exchanges, Management Team and Employees of the Company.

Review of Operations

Your Company is registered as a Systemically Important Non-deposit taking Non-Banking Finance Company (NBFC-ND SI) with the Reserve Bank of India. Your Company provides secured financial solutions to micro-entrepreneurs, individuals involved in small businesses and self-employed individuals for their business needs, asset creation requirements and to meet the other significant economic needs of the household. Most of these borrowers are hitherto excluded from the formal financial ecosystem and their credit needs are met primarily by unorganised institutions, friends and family.

Given that these borrowers lack formal and structured evidences of their incomes, your Company has built a proprietary underwriting model to evaluate their cash flows backed by robust monitoring and strong recovery mechanisms. Your Company continues to meet the credit needs of these borrowers, helps them graduate to the formal lending ecosystem giving them access to relatively lower cost finance and enabling them to repay their loan over the stipulated tenure of their loan while indulging in fair and transparent lending and collections practices.

The operating and financial performance of your Company has been covered in detail in the Management Discussion and Analysis report ("MDA"), which forms a part of this report. During the year, your Company has achieved stellar results across operational and financial metrics, which are laid down below.

Operational Metrics

Disbursements

The Company caters to the financing needs of individuals involved in small businesses and self-employed individuals who satisfy the underwriting requirements laid down by your Company based on various parameters such as customer profile, liquidity/cashflow of the borrower, credit history, debt burden ratio (DBR) and loan to value (LTV). During the financial year ended March 31, 2023, your Company has disbursed INR 3,391.44 Crores of Loans as against INR 1,756.24 Crores during the previous financial year, registering a year-on-year (YoY) growth of 93%. The average ticket size as on March 31, 2023, stood at INR 3.03 lakhs as against average ticket size of INR 2.66 lakhs for the disbursals during year ended March 31, 2022.

Branch Metrics

Your Company follows a contiguous branch expansion strategy, which was continued in the current financial year as well. During the financial year ended March 31, 2023 your Company has added 73 new branches resulting in the branch network increasing to 373 from 300 during the previous financial year.

Your Company now operates in the states of Tamilnadu, Andhra, Karnataka, Telangana, Madhya Pradesh, Maharastra, Chhattisgarh and Uttar Pradesh.

The details of branch network as of March 31, 2023 and compared against the previous financial year are given below:

States	March 31, 2023	March 31, 2022
Tamil Nadu (including Pondicherry)	106	98
Andhra Pradesh	121	79
Telangana	59	45
Karnataka	33	33
Madhya Pradesh	44	37
Maharashtra	6	4
Chhattisgarh	3	3
Uttar Pradesh	1	1
Total	**373**	**300**

Financial Metrics

During the year under review, your Company has reported a total revenue from operations of INR 1,528.93 Crores, as against INR 1,256.17 Crores with a growth of 21.71% over previous financial year. Profit before tax was at INR 804.73 Crores as against INR 604.21 Crores with a growth of 33.19% over the previous financial year. Profit after Tax was at INR 603.50 Crores as against INR 453.54 Crores with a growth of 33.06% over the previous financial year. The Company's net worth stood at INR 4,339.53 Crores as on March 31, 2023 (INR 3,710.35 Crores as of March 31, 2022).

The total loan assets under management as at March 31, 2023, increased to INR 6,914.83 Crores from INR 5,067.08 Crores during the previous financial year registering a growth of 36.47%.

Asset Quality

Your Company has a strong collection and proactive recovery management system leading to robust asset quality for the financial year ended March 31, 2023, when it had a Gross Stage 3 Assets of 1.36%, which is one of the best amongst companies operating in this customer segment. Despite the impact of 2 waves of COVID, your Company has managed to achieve one of the best asset qualities for the financial year, which is a testimony to your Company's business model, rigorous underwriting norms, strong execution capability and the never-say-no attitude of an amazing team.

During the year ended March 31, 2023, your Company also implemented the daily DPD recognition and revised upgradation norms issued by RBI vide their circulars on Prudential Norms on Income recognition and Asset classification dated November 12, 2021 and February 15, 2022 (wherein implementation of upgradation norms were deferred to October 1, 2022), which are to be implemented by all Regulated Entities with effect from October 1, 2022.

Your Company is in adherence to the provision of Ind AS with respect to computation of Gross Stage 3 Assets. Your Company's assets have been classified into various stages based on expected performance. Exposure at Default (EAD) is the total amount outstanding including accrued interest as on the reporting date. For the year ended March 31, 2023, your Company reported Gross Stage 3 Assets and Net Stage 3 Assets (under the revised Income Recognition and Asset Classification norms) of 1.36% and 0.69% respectively as against 1.05% and 0.68% respectively in the previous financial year (loans that are more than 90 days past due as at the end of the financial year classified as Gross Stage 3 Assets).

Resource Mobilization

Your Company's overall borrowing is guided by a policy duly approved by the Board of Directors. Your Company has vide special resolution passed on April 22, 2021, under Section 180 (1)(c) of the Act, authorized the Board of Directors to borrow money upon such terms and conditions as the Board may think fit in excess of the aggregate of paid up share capital and free reserves of the Company up to an amount of INR 7000 Crores.

Your Company manages its borrowing structure through prudent Asset-Liability Management and takes various measures, which include diversification of funding sources, tenure optimization, and prudent borrowing timing to maintain its borrowing cost at optimum level.

During the financial year under review, your Company continued to broad base its funding sources by borrowing moneys from banks in the form of term loans, issuance of Secured Non-Convertible Debentures through the private placement route, and issuance of Pass-through Certificates as part of Securitization transactions. Your Company has also further diversified its borrowing by adding 4 (Four) new lenders/Financial Partners.

The weighted average borrowing cost as at March 31, 2023 was 10.12% (including Securitization transactions) as against 10.51% in the previous financial year. As at March 31, 2023, your Company's sources of funding were primarily term loans from banks and financial institutions (62%), followed by Securitization (24%), Non-Convertible Debentures (12%), and External Commercial Borrowings (2%).

Term Loans from Banks and Financial Institutions

During the financial year under review, your Company has availed fresh borrowings aggregating to INR 3,103.56 Crores, including fresh Term Loans from Banks and Financial Institutions of INR 2,245.00 Crores. The outstanding Total Borrowings as at March 31, 2023 were INR 4,247.28 Crores. The weighted average tenure of fresh loans raised during the financial year under review was around 59 months.

Securitization of Loan Portfolio

Your Company has actively tapped the Securitization (PTC) market, which has enabled it to create liquidity, reduce the cost of funds and minimize asset liability mismatches.

During the financial year under review, your Company has securitised receivables worth INR 901.50 Crores for a sale consideration of INR 809.56 Crores. These Securitisation transactions were carried out in line with RBI guidelines on Securitization of Standard Assets and accounted in line with Indian Accounting Standards.

Debentures

During the financial year, your Company has issued INR 49 Crores fresh Non-Convertible Debentures (NCDs). Further, your Company has been very prompt in payment of its interest and principal obligations for the financial year ended March 31, 2023, and has complied with all the disclosure requirements stipulated under SEBI (LODR) Regulations, 2015.

Commercial Paper (CP)

Your Company has not issued any Commercial Paper & Short-Term Instrument during the financial year.

Prospects

The credit business has large potential in India, particularly in respect to lending to micro-entrepreneurs and self-employed individuals, who do not have access to formal means of financing. The CRISIL report on market potential, which is part of the Offer documents of your Company, pegs this demand at 22 trillion. Your directors are confident that the knowledge/ experience gained so far in this segment will augur well towards building a robust portfolio. Further details with respect to industry and Company prospects and other aspects relating to your Company's operations have been covered in the Management Discussion and Analysis section, which forms part of this report.

Statutory and Regulatory Compliances

Your Company is a Non Deposit Taking Systematically Important Non-Banking Financial Company (NBFC-ND-SI). The Company has complied with and continues to comply with all applicable regulations, directions and prudential norms of the Reserve Bank of India.

Your Company has complied with the applicable regulations under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI (LODR), 2015) and Foreign Exchange Management Act (FEMA), 1999, Rules and Regulations thereunder.

Your Company has also complied with the applicable provisions of the Secretarial Standards issued by the Institute of Company Secretaries of India and has complied with all applicable compliances as required under the Companies Act, 2013.

Scale Based Regulation (SBR) – Revised Regulatory Framework for NBFCs

The Reserve Bank of India issued its final directions on Scale Based Regulatory Framework, which becomes effective from October 1, 2022. Recognising contribution of NBFCs towards supporting real economic activity and their role as a supplemental channel of credit intermediation alongside banks, RBI has identified the need to align the regulatory framework for NBFCs keeping in view their changing risk profile.
The SBR framework encompasses different facets of regulation of NBFCs covering capital requirements, governance standards, prudential regulation, etc. and RBI has come out with an integrated regulatory framework for NBFCs under SBR providing a holistic view of the SBR structure, set of fresh regulations being introduced and respective timelines.

Regulatory structure for NBFCs shall comprise of four layers based on their size, activity, and perceived riskiness. Given the asset size of your Company, it falls under the Middle Layer category. Your Company has also complied with all the relevant regulations under this new regulatory framework.

Credit Rating

During the year under review, credit rating of your Company has been upgraded to AA- (Double A Minus) with Stable outlook by ICRA Limited and India Ratings & Research Private Limited for its bank loans and NCDs.

As of March 31, 2023, your Company's borrowings / debentures enjoy the following ratings from ICRA, India Ratings & Research, CARE Ratings & CRISIL.

Rating Agency	Instrument	Rating
ICRA	Bank Facilities	ICRA AA-; Stable
	Non-Convertible Debentures	ICRA AA-; Stable
	Market Linked Debentures (MLD)	PP-MLD ICRA AAA(CE); Stable /PP-MLD ICRA AA-; Stable
	Securitization	ICRA AAA(SO)/AA+(SO)/AA(SO)
India Ratings & Research	Bank Facilities	IND AA- / Stable
	Non-Convertible Debentures	IND AA- / Stable
CARE	Long term Bank Facilities	CARE A+; Stable
	Long term/Short term Bank facilities	CARE A+; Stable / CARE A1+
	Non-Convertible Debentures	CARE A+; Stable
	Market Linked Debentures (MLD)	CARE PP-MLD A+; Stable
	Commercial Paper	CARE A1+
CRISIL	DA under PCG Scheme of GoI	CRISIL AA (SO) / AA- (SO)

Change in Nature of Business

There was no change in the nature of business of your Company during the financial year ended March 31, 2023.

Dividend Distribution Policy

Your Company has formulated a Dividend Distribution Policy, with an objective to provide the dividend distribution framework to the Stakeholders of the Company. The policy sets out various internal and external factors, which shall be considered by the Board in determining the dividend pay-out. The policy is available on the website of the Company at https://fivestargroup.in/investors/.

Dividend

Your Directors have decided not to recommend any dividend for the financial year ended March 31, 2023, and the profit for the year will be deployed back into the business.

Transfer to Reserves

Your Company has transferred a sum of INR 120.70 Crores to the statutory reserve as required under the Reserve Bank of India Act, 1934.

Deposits

Your Company is a non-deposit taking Company. The Company has not accepted any public deposits during the financial year under review and has passed a Board resolution acknowledging the non-acceptance of deposits from public.

Capital Adequacy Ratio

Capital Adequacy Ratio of your Company as at March 31, 2023 under Ind-AS stood at 67.17%, as against the minimum requirement of 15% stipulated by Reserve Bank of India.

Changes in Equity Share Capital

During the financial year, your Company has:

a. Allotted 4,000 fully paid-up equity shares of INR 1 each on June 8, 2022, pursuant to Five-Star Associate Stock Option Scheme 2015
b. Allotted 19,000 fully paid-up equity shares of INR 1 each on June 8, 2022, pursuant to Five-Star Associate Stock Option Scheme 2018

The Company has only one class of equity shares and the authorised share capital of the Company as on March 31, 2023, was INR 55,00,00,000/- divided into 55,00,00,000 equity shares of INR 1 each, subscribed, issued & paid-up capital as on said date is 29,13,66,120 equity shares of INR 1 each.

Subsidiaries, Joint Ventures, Associate Companies

During the financial year ended March 31, 2023, your Company does not have a subsidiary / Associate / Joint Venture Company. Also, the Company did not become a part of any Joint Venture during the year.

Related Party Transactions

The Company has in place a policy on related party transactions as approved by the Board and the same is available on the website of the Company at https://fivestargroup.in/investors/.

All related party transactions that were entered into during the financial year were on arm's length basis and in ordinary course of business. There were no materially significant transactions made by the Company with promoters, directors, key managerial personnel or other designated persons which may have a potential conflict with the interest of the Company. There were no contracts or arrangements entered into with related parties during the year to be disclosed under sections 188(1) and 134(3)(h) of the Companies Act, 2013 in Form AOC 2.

Employee Stock Option Schemes

Your Company has formulated two Employees Stock Option Schemes, namely Five-Star Associate Stock Option Scheme 2015 (ASOP 2015) and Five-Star Associate Stock Option Scheme 2018 (ASOP 2018).

The Board of Directors at their meeting held on February 25, 2023, has extended Five-Star Associate Stock Option Scheme 2018 for a further period not exceeding five years. Further, the Company has not made any material changes to the aforesaid schemes during year ended March 31, 2023.

In terms of Regulation 14 of Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, the disclosures with respect to ASOP 2015 and ASOP 2018 have been provided on the website of the Company at http://www.fivestargroup.in.

The certificate from secretarial auditor M/s S Sandeep & Associates, Company Secretaries confirming implementation of ASOP 2015 and ASOP 2018 scheme in accordance with the SEBI (SBEB) Regulations and shareholders resolutions has been obtained and will be available for inspection of the shareholders at the ensuing annual general meeting (AGM).

Pursuant to Regulation 12 (1) of Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, the ASOP 2015 and ASOP 2018 Schemes are being placed before the shareholders for their ratification at the proposed 39th Annual General Meeting of the Company.

The details of Five-Star Associate Stock Option Scheme 2015 and Five-Star Associate Stock Option Scheme 2018 are enclosed as **Annexure A**

Annual Return

As per Section 134(3)(a) and Section 92(3) of the Companies Act, 2013 read with Companies (Management and Administration) Rules, 2014, and Regulation 62(1)(k) of the SEBI (LODR) Regulations, 2015, the annual return of the Company for the financial year ended March 31, 2023 in the prescribed Form MGT-7 is available on the website of the Company at https://fivestargroup.in/investors/.

Particulars of Loans, Guarantees or Investments

Being an NBFC, the disclosures regarding particulars of loans given, guarantees given and security provided are exempted under the provisions of section 186(11) of the Act.

As regards investments made by the Company, the details are given in note no. 7 of the financial statements.

Material Changes Affecting the Financial Position of the Company

There are no material changes and commitments having an adverse bearing on the financial position of the Company between March 31, 2023, and the date of this report.

Information as per Section 134(3)(m) of the Companies Act, 2013

The provisions of Section 134(3)(m) of the Companies Act, 2013, read along with the rules made thereunder relating to conservation of energy and technology absorption do not apply to your Company as it is not a manufacturing Company. However, your Company has been increasingly using information technology in its operations and promotes conservation of resources.

During the financial year ended March 31, 2023, the foreign currency expenditure of your Company stood at INR 6.22 Crores and there were no foreign currency earnings.

Information as per clauses (xi) and (xii) of Rule 8(5) of the Companies (Accounts) Rules, 2014

There was no application made or any proceeding pending under the Insolvency and Bankruptcy Code, 2016 in respect of the Company during the financial year ended March 31, 2023, and there was no such application made or any proceeding as at March 31, 2023.

The Company has not entered into any one-time settlement with its lenders during the financial year ended March 31, 2023, and therefore the requirements of clause (xii) of Rule 8(5) of the Companies (Accounts) Rules, 2014 are not applicable.

Significant and Material Orders passed by the Regulators or Courts or Tribunals

There are no significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status of your Company's and its future operations.

Risk Management

Successful lending calls for timely identification, careful assessment and effective management of the credit, operational, market (interest-rate and liquidity) and reputation risks. The Company has adopted efficient risk management policies, systems and processes that seek to strike an appropriate balance between risk and returns.

The Company has also introduced appropriate risk-management measures, such as having multiple applicants for the loan, accessing all the applicants' credit history from credit information bureaus, field investigation of the applicants' credentials, multiple verification layers, adoption of prudent loan to value ratio and analysis and adoption of a conservative debt-service capacity of the borrowers, thorough in-house scrutiny of legal documents, which helps to understand and assess the borrowers' intention and ability to repay.

Your Company has constituted a Risk Management Committee (RMC) which interalia lays down the review of procedures relating to risk assessment & risk minimization to ensure that the executive management controls risk through means of a properly defined framework and review of Credit & Portfolio Risk Management and Operational & Process Risk Management. Your Company also has a Chief Risk Officer, who is responsible for identification, measurement and mitigation of risks and also sensitizing the Board, Committees and Management to any potential risks that may arise on account of Company-specific factors or macro-economic factors.

RMC reviews the credit policy and practices to ensure that all portfolio related risks are well mitigated. The Company has given high importance to prudential lending practices and has put in place suitable measures for risk mitigation.

Your Company has also constituted an Asset Liability Committee (ALCO) which ensures that the liquidity and interest-rate risks are contained within the limits laid down by the Company.

Being dynamic, the risk management framework continues to evolve in line with the emerging risk perceptions.

Human Resource Development

Your Company's success largely depends on the quality and competence of its human capital. Attracting, remunerating and retaining talented professionals is therefore a key element of your Company's business strategy. Your Company has a strong Management team comprising of professionals with relevant experience and expertise in their domain areas, which is supplemented by an enthusiastic execution team at the branch level, who, with their superior execution skills, are able to bring the right results.

The customer acquisition, credit delivery, collection process and manpower strength of Non-Banking Financial Companies operating in similar customer profile were studied to align our staff strength after duly factoring for the differences in the business models of other entities. Accordingly, the staff strength at the regions and branches were streamlined, keeping in mind our acquisition process and market segment, adding people across functional verticals wherever required.

This approach has been working well for your Company to achieve the right level of productivity and growth. Apart from imparting advanced training to all front-line sales and marketing, credit and other staff which included the KYC and FPC training, employees were given on-the-job and off-the-job training programs.

Your Company has also benchmarked its compensation levels with the market, thus being in a position to attract and retain necessary talent, which is essential for growing the business in the years to come.

Your Company has continued to attract high quality professionals as part of the middle and senior management team and has also been in a position to get the right resources at the branches as well. As of March 31, 2023, your Company had 7,347 employees across branches, regional offices, and head office.

Directors

Your Company has a well diversified Board in terms of experience and expertise and the members of your Company's Board are eminent persons of proven competence and integrity. They also have a strong commitment to your Company and devote adequate time to the meetings and preparation.

The Board of Directors comprises of 8 (eight) directors, consisting of 4 (Four) Independent Directors (including 1 woman Director), 3 Non-Executive Directors and 1 Executive Director – Chairman & Managing Director, as on March 31, 2023. The composition of the Board of your Company as on March 31, 2023 is given below:

Name of the Director	Designation	DIN
Lakshmipathy Deenadayalan	Chairman & Managing Director	01723269
Anand Raghavan	Independent Director	00243485
T T Srinivasaraghavan	Independent Director	00018247
Bhama Krishnamurthy	Independent Director	02196839
Ramkumar Ramamoorthy	Independent Director	07936844
G V Ravishankar	Non-Executive Director*	02604007
Vikram Vaidyanathan	Non-Executive Director**	06764019
Thirulokchand Vasan	Non-Executive Director	07679930

* As a nominee of SCI Investments V

** As a nominee of Matrix Partners India Investment Holdings II, LLC

During the financial year under review, the following changes took place in the composition of the Board of Directors:

- Mr Ramanathan Annamalai (DIN: 02645247) has stepped down as an Independent Director w.e.f May 25, 2022 due to completion of his term as Independent Director.
- Mr Ramkumar Ramamoorthy (DIN: 07936844) has been appointed as an independent Director (additional Director) for a term of 5 years by the board at its meeting held on June 8, 2022, and later his appointment as an independent Director was approved by the shareholders at the Annual General meeting held on September 2, 2022.
- Mr Lakshmipathy Deenadayalan, Chairman & Managing Director (DIN: 01723269) was re-appointed as CMD for a further period of 5 years with effect from June 01, 2022 by the Board of Directors at its meeting held on April 27, 2022, and the same was approved by the shareholders at the Annual General Meeting held on September 2, 2022
- During the last Annual General Meeting held on September 2, 2022, Mr Vikram Vaidyanathan, Non-Executive Director retired by rotation and being eligible offered himself for reappointment.

Further, following changes took place in the composition of the Board of Directors between the financial year end and the date of this report:

- In terms of Section 152 of the Companies Act, 2013, Mr Thirulokchand Vasan retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment. Based on the recommendation of the Nomination & Remuneration Committee and in the opinion of your Board, Mr Thirulokchand Vasan has requisite qualifications and experience and therefore, your directors recommend his reappointment in the ensuing Annual General Meeting.

Declaration from Independent Directors

Pursuant to Section 149(7) of the Companies Act, 2013 read along with Rule 6 of the Companies (Appointment and Qualifications of Directors) Rules, 2014 of the Companies Act, 2013 and Regulation 25(8) of the SEBI (LODR) Regulations, 2015, the Company has received necessary declarations/ disclosures from each of the Independent Director of the Company stating that he/she meets the criteria of independence as required under Section 149(6) of the Companies Act, 2013 and that he/she has a valid certificate of registration for his/her enrollment into the data bank for Independent Directors.

In the opinion of the Board of Directors, the Independent Directors of your Company satisfy the necessary attributes as to integrity, experience (including proficiency) and high levels of skill and expertise.

Formal Annual Evaluation

As per the provisions of the Companies Act, 2013, the Board has carried out an annual performance evaluation of its own performance, the directors individually as well as the evaluation of the working of its Committees. A structured exercise was carried out based on the criteria for evaluation forming part of the Directors Appointment, Remuneration & Evaluation Policy, including framework for performance evaluation of Directors, Board & Committees, Criteria for Evaluation and the inputs received from the Directors, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committee, attendance at meetings, Board culture, duties of directors, and governance. The aforesaid policy is available on the website of the Company at https://fivestargroup.in/investors/.

A separate exercise was carried out to evaluate the performance of individual Directors including the Chairman of the Board, who were evaluated on parameters such as level of engagement and contribution, independence of judgment, safeguarding the interest of the Company and its stakeholders etc. The Directors have expressed their satisfaction with the evaluation process.

Committees of the Board

Your Company has the following Board level Committees, which have been constituted in compliance with the requirements of the business and other regulatory prescriptions:

1. Audit Committee (AC)
2. Nomination & Remuneration Committee (NRC)
3. Stakeholders Relationship Committee (SRC)
4. Risk Management Committee (RMC)
5. Corporate Social Responsibility Committee (CSR)
6. IT Strategy Committee
7. Business & Resource Committee (BRC)
8. Asset Liability Committee (ALCO)

During the year under review, all recommendations made by the aforesaid Committees have been accepted by the Board.

The details of Committee composition, terms of reference, number of meetings held, etc are given in the Corporate Governance Report.

Key Managerial Personnel

Pursuant to the provisions of Section 203 of the Companies Act, 2013 read with the rules made there under, the following employees are the whole-time key managerial personnel of the Company as on March 31, 2023:

a. Mr Lakshmipathy Deenadayalan, Chairman and Managing Director (DIN: 01723269)
b. Mr Rangarajan Krishnan, Chief Executive Officer
c. Mr Srikanth Gopalakrishnan, Chief Financial Officer
d. Ms Shalini Baskaran, Company Secretary

There are no changes in the composition of Key Managerial Personnel between the financial year end date and the date of this report.

Internal Financial Controls

The Company has a well-established and adequate internal financial control framework, with appropriate policies and procedures, to ensure the highest standards of integrity and transparency in its operations and a strong corporate governance structure, while maintaining excellence in services to all its stakeholders. Appropriate controls are in place to ensure: (a) the orderly and efficient conduct of business, including adherence to policies, (b) safeguarding of assets, (c) prevention and detection of frauds/ errors, (d) accuracy and completeness of the accounting records and (e) timely preparation of reliable financial information.

Internal control framework including clear delegation of authority and standard operating procedures are established and laid out across all businesses and functions. These are reviewed periodically at all levels. The risk and control matrices are reviewed on a periodic basis and control measures are tested and documented. These measures have helped in ensuring the adequacy of internal financial controls commensurate with the scale of operations of the Company.

The Company has employed an independent consultancy firm to develop and periodically update risk control metrices, develop test plans and carry out independent testing procedures to evaluate the effectiveness of the controls. Their findings are presented to the Audit Committee, which helps the Committee to understand the strength of the controls and any improvements that may be required, as the Company keeps ramping up its operations.

Your Company has also built a strong Internal Audit mechanism, where audits are done on regular basis by in house Internal Audit team and External Internal Auditors of the Company.

The Audit Committee of the Company regularly reviews and monitors systems, internal controls, risk management measures, accounting procedures, financial management and operations of the Company and also the findings and recommendations presented by the Internal Audit team and External Internal Auditors as part of their periodic reports.

RBI, through its circular dated February 3, 2021, had introduced Risk based Internal Audit (RBIA) framework for NBFCs. NBFCs were required to put in place a RBIA framework by March 31, 2022. Your Company has complied with this circular, whereby a detailed RBIA policy, outlining the audit scope, audit framework and audit frequency, which will all be determined based on the risk inherent in each of the underlying processes, has been put in place and approved by the Audit Committee and by the Board of Directors. Your Company had also recruited a Chief Audit Officer, with significant years of audit experience in 2 of the big 4 Audit firms, who has been handling the RBIA function of your Company during the financial year under review.

Auditors

Statutory Auditors

Pursuant to Section 139 of the Companies Act, 2013 read with guidelines issued by Reserve Bank of India dated April 27, 2021, with regard to the appointment of Statutory Central Auditors (SCAs)/ Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs), M/s S R Batliboi & Associates LLP have been appointed as the Statutory Auditors of your Company for a period of three consecutive financial years viz 2021-22, 2022-23 and 2023-24 to hold office until the conclusion of the 40th Annual General Meeting, subject to their satisfaction of the eligibility criteria every year.

The Statutory Auditors have confirmed that they meet eligibility criteria prescribed under Companies Act 2013 & RBI Guidelines.

The Report of the Statutory Auditors with an unmodified opinion to the members is annexed and forms part of the financial statements and the same does not contain any qualification, reservation, adverse remark or disclaimer. There were no frauds detected or reported by the Auditors under sub-section (12) of section 143 of the Companies Act, 2013 during the financial year ended March 31, 2023.

Internal Auditor

To carry out internal audit of its operations, your Company has engaged M/s Sundaram & Srinivasan, Chartered Accountants, as its External Internal Auditors. Their audit is complemented by an In-house audit team. Between them, they cover the entire Internal Audit Scope which covers the activities carried out at Corporate Office and across branches of the Company. As a part of its efforts to evaluate the effectiveness of the internal control systems, your Company's audit teams evaluate the adequacy of control measures on a periodic basis and recommends improvements, wherever appropriate.

The Audit Committee reviews the internal audit functions, scope of internal audit, as well as the adequacy and effectiveness of the internal systems and controls.

Secretarial Auditor

M/s S Sandeep & Associates, Practicing Company Secretaries were appointed to conduct the secretarial audit of the Company for the financial year 2022-23, as required under Section 204 of the Companies Act, 2013 and rules made thereunder & Regulation 24A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The secretarial audit report for the financial year ended March 31, 2023, forms part of this report as **Annexure B** and does not contain any qualification, reservation or adverse remarks.

Cost Records and Cost Audit

Maintenance of cost records and requirements of cost audit as prescribed under the provisions of section 148(1) of the Act is not applicable for the business activities carried out by your Company.

Information Technology

Over the past few years, technology has become an integral part of every Company's business operations. In line with this, your Company has also put in place a robust technology framework, which provides for seamless business operations across the entire business value chain including sourcing, lead generation, underwriting, sanction, disbursement, collections and other back-office operations. Your Company has and will continue to make significant investments in technology to leverage the strengths of API infrastructure built by third party service providers, work towards building a robust credit scoring model and use data analytics and machine learning extensively for underwriting and portfolio analysis, which will help maintain strong asset quality. We expect these initiatives to make faster and more effective decisions and also better customer engagement and faster turnaround time.

On the security front, the IT Strategy Committee of your Company has laid down a comprehensive policy relating to Cyber Security, Business Continuity, Outsourcing and Information Security / Technology, in line with its terms of reference. In its continuous efforts to ensure a secure environment, your Company has built a robust infrastructure and carries out periodic comprehensive vulnerability assessments and penetration testing, to identify and minimize external threats. An independent Information Systems audit has been carried out during the financial year.

Corporate Social Responsibility (CSR)

Pursuant to Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, your Company has adopted a Policy on CSR which is placed on the website of the Company at https://fivestargroup.in/investors/.

As per Section 135 of the Companies Act, 2013, Your Company was required to spend an amount of INR 9.61 Crores equivalent to 2% of the average net profits of the last three (3) financial years as CSR contribution. During the FY 2022-23, your Company has spent an amount of INR 9.61 Crores as against prescribed CSR Expenditure of INR 9.61 Crores.

The Annual Report on CSR activities for the financial year ended March 31, 2023, is attached as **Annexure C** to this Report.

Whistle Blower Policy & Vigil Mechanism

As per the provisions of Section 177(9) of the Companies Act, 2013, and Regulation 22 of the SEBI (LODR) Regulations, 2015, your Company has established a Vigil Mechanism and has adopted a Whistle Blower Policy for directors and employees to report their genuine concerns. The Whistle Blower Policy has been formulated with a view to provide a mechanism for employees and directors to approach the Audit Committee of the Company. The said policy is available on the website of the Company at https://fivestargroup.in/investors/.

The Vigil mechanism of the Company is overseen by the Audit Committee and provides adequate safeguard against victimization of employees and directors and also provides direct access to the Chairperson of Audit Committee in exceptional circumstances.

During the year under review, no complaints were received by the Company and no complaints are outstanding as on March 31, 2023.

Board & its Committees

During the financial year ended March 31, 2023, 15 (Fifteen) Board Meetings were held on April 27, 2022, May 12, 2022, June 8, 2022, July 26, 2022, October 6, 2022, October 12, 2022, October 13, 2022, November 01, 2022, November 2, 2022, November 7, 2022, November 15, 2022, November 17, 2022, November 28, 2022, January 28, 2023 and February 25, 2023, and not more than 120 days elapsed between any two meetings.

The details of composition of the Board and its Committees, terms of reference of the Committees and the details of meetings held during the financial year are furnished in the Corporate Governance Report.

Corporate Governance

Your Company is committed to maintain the highest standards of Corporate Governance and adheres to Corporate Governance requirements set out by regulators. A report on Corporate Governance is enclosed and form part of this report as **Annexure D**.

The Chief Executive Officer and the Chief Financial Officer have submitted a compliance certificate to the board regarding the financial statements and other matters as required under regulation 17(8) of the SEBI (LODR) 2015.

A Certificate from Practicing Company Secretary affirming the compliance of Corporate Governance norms as required under SEBI (LODR) 2015 is annexed to the Corporate Governance report.

Management Discussion and Analysis

A report on the Management Discussion and Analysis (MDA), highlighting the business-wise details is attached and forms part of this report as **Annexure E**.

Business Responsibility and Sustainability Reporting

As per Regulation 34(2)(f) of SEBI LODR regulations, top 1,000 (one thousand) listed entities based on market capitalization, shall attach a Business Responsibility and Sustainability Report (BRSR) with the Annual Report, describing the environmental, social and governance initiatives undertaken by the listed entities.

In line with this regulation, your Company has put together a BRSR report (along with an Environmental, Social & Governance (ESG) report) which outline the initiatives undertaken by your Company to be a respectable lender across these 3 parameters. The BRSR report also forms part of this report as **Annexure F**.

Disclosures under POSH Act, 2013

The Company has in place a policy for Prevention of Sexual Harassment in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013 (POSH Act) and the same is available on the website of the Company at https://fivestargroup.in/investors/. Your Company has complied with the provisions relating to the constitution of Internal Complaints Committees (ICC) under POSH Act. ICC has been set up to redress complaints received regarding sexual harassment.

During the year under review, no complaints were received. None was pending unresolved as on March 31, 2023.

Particulars of Employees and Related Disclosures

In terms of the provisions of Section 197(12) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, necessary disclosures are provided in the Annual Report as **Annexure G**.

Code of Conduct

The board has laid down a “Code of Conduct” for all the Board Members and the senior management of the Company and the same has been posted on the website of the Company.

All Board members and senior management personnel have affirmed compliance with the Company's code of conduct for the financial year 2022-23. A declaration to this effect is included in Corporate Governance report forming part of this Annual Report.

Code for Prevention of Insider Trading

In compliance with the PIT guidelines issued by SEBI, as amended from time to time, your Company has adopted the following policies / codes of conduct:

a. Code of Conduct for Regulating, Monitoring and Reporting of Trading by Insiders
b. Company's Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information (UPSI)

to regulate, monitor and report trading by insiders in securities of the Company. The objective of this code is to protect the interest of the shareholders at large, to prevent misuse of any price sensitive information and prevent insider trading. The board has further approved policy governing the procedure of inquiry in case of actual or suspected leak of unpublished price sensitive information. The code has also been hosted on the website of the Company.

Investor Relations

In order to ensure that your Company stays engaged with all the investors (current and potential) and analysts, your Company has put together an Internal Investor Relations team, which will ensure transparent and adequate disclosures viz. periodic earnings calls, video-conferences, conference participations and one-on-one meetings. The intent to be seen as a benchmark in terms of investor outreach.

Your Company also ensures that critical information is made available to all the investors through upload of such information on the website. Your Company also intimates Stock exchanges regarding upcoming events like earnings calls, declaration of quarterly and annual results and such other information which could potentially have a bearing on the share price of the Company. Additionally, your Company also discloses to the Stock exchanges, any potential meetings with investors / analysts who have evinced their interest to meet up with the Management team.

Directors' Responsibility Statement

The Board of Directors have instituted / put in place a framework of internal financial controls and compliance systems, which is reviewed by the management and the relevant board committees, including the audit committee and independently reviewed by the auditors.

Pursuant to Section 134(5) of the Companies Act, 2013, the Board of Directors, confirm that:

a. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
b. the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
c. the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
d. the Directors have prepared the annual accounts on a going concern basis;
e. the Directors have laid down internal financial controls, which are adequate and operating effectively and
f. the directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Acknowledgement

Your Directors wish to thank the shareholders, customers, employees, bankers, non-bank lenders, mutual funds, financial institutions, debenture trustee, R&T agent, credit rating agency, auditors for their co-operation and continued support to the Company during the pandemic. The directors also thank the employees for their contribution during the financial year under review.

For and on behalf of the Board of Directors
Lakshmipathy Deenadayalan
Chairman & Managing Director
DIN: 01723269

Place: Chennai
Date: May 09, 2023

1. FIVE STAR ASSOCIATE STOCK OPTION SCHEME, 2015

The decision to introduce FIVE STAR Associate Stock Option Scheme, 2015 (hereinafter called "FIVE STAR ASOP, 2015" or "The Scheme") was taken by the Board of Directors at their meeting held on September 18, 2015 and was approved by the shareholders of the Company at the Extra Ordinary General Meeting held on April 12, 2016.

Consequent to the sub-division of the face value of Equity shares of the Company, the Scheme was amended to that effect, which was approved by the Shareholders at their meeting held on October 08, 2021.

Pursuant to Rule 12(9) of Companies (Share Capital and Debentures) Rules, 2014, the details of the Five Star Associate Stock Option Scheme, 2015 as on March 31, 2023, are:

a) Options approved to be issued as ESOPs: 56,30,000
b) Options granted: 56,13,830
c) Options vested: 55,57,000
d) Options exercised: 54,46,000
e) The total number of shares arising as a result of exercise of option: 54,46,000
f) Options lapsed / Surrendered: 16,170
g) Exercise Price: Such price not less than the face value, as may be determined by the Nomination & Remuneration Committee
h) Variation of terms of options: Nil
i) Total number of options in force: 167,830
j) Money realized by exercise of options: INR 179.31 lakhs
k) Employee wise details of options granted to:

(i) Key managerial personnel: Mr Rangarajan Krishnan - Chief Executive Officer - 32,00,000 options, Mr Srikanth Gopalakrishnan –Chief Financial Officer - 10,00,000 options and Ms Shalini Baskaran – Company Secretary – 5,300 options
(ii) Any other employee who receives a grant of options in any one year of option amounting to 5 per cent or more of options granted during that year: Nil
(iii) Identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant: Mr Rangarajan Krishnan - Chief Executive Officer - 32,00,000 options and Mr Srikanth Gopalakrishnan –Chief Financial Officer – 10,00,000 options

2. FIVE STAR ASSOCIATE STOCK OPTION SCHEME, 2018

The decision to introduce FIVE STAR Associate Stock Option Scheme, 2018 (hereinafter called "FIVE STAR ASOP, 2018" or "The Scheme") was taken by the Board of Directors at their meeting held on February 28, 2018 and was approved by the shareholders of the Company at the Extra Ordinary General Meeting held on March 26, 2018.

Consequent to the sub-division of the face value of Equity shares of the Company, the Scheme was amended to that effect, which was approved by the Shareholders at their meeting held on October 08, 2021.

Pursuant to Rule 12(9) of Companies (Share Capital and Debentures) Rules, 2014, the details of the Five Star Associate Stock Option Scheme, 2018 as on March 31, 2023, are:

a) Options approved to be issued as ESOPs: 50,00,000
b) Options granted: 49,69,300
c) Options vested: 21,66,660
d) Options exercised: 10,32,000
e) The total number of shares arising as a result of exercise of option: 10,32,000
f) Options lapsed / Surrendered: 30,700
g) Exercise Price: Such price not less than the face value, as may be determined by the Nomination & Remuneration Committee
h) Variation of terms of options: Nil
i) Total number of options in force: 39,37,300
j) Money realized by exercise of options: INR 708.26 lakhs
k) Employee wise details of options granted to:

(i) Key managerial personnel: Mr Rangarajan Krishnan - Chief Executive Officer - 30,00,000 options, Mr Srikanth Gopalakrishnan – Chief Financial Officer – 10,00,000 options and Ms Shalini Baskaran – Company Secretary – 10,000 options
(ii) Any other employee who receives a grant of options in any one year of option amounting to 5 per cent or more of options granted during that year: Nil
(iii) Identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant: Mr Rangarajan Krishnan - Chief Executive Officer - 30,00,000 options

For and on behalf of the Board of Directors
Lakshmipathy Deenadayalan
Chairman & Managing Director
DIN: 01723269

Place: Chennai
Date: May 09, 2023

FORM NO. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED MARCH 31, 2023
[Pursuant to section 204(1) of the Companies Act, 2013 and rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
Five-Star Business Finance Limited
New No.27, Old No.4, Taylor's Road,
Kilpauk, Chennai – 600010.

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s. **FIVE-STAR BUSINESS FINANCE LIMITED** (CIN: U65991TN1984PLC010844) (hereinafter called "the Company"). The Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the M/s. **FIVE-STAR BUSINESS FINANCE LIMITED's** books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, the explanations and clarifications given to us and the representations made by the Management, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2023, generally has complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

1. We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2023 according to the provisions of:

a. The Companies Act, 2013 (the Act) and the rules made thereunder;
b. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
c. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
d. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment and External Commercial Borrowings. The Company does not have any Overseas Direct Investment;
e. The following regulations and guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'), as amended from time to time:
   - The Securities and Exchange Board of India (Registrars to an Issue and Transfer Agents) Regulations, 1993, regarding Companies Act and dealing with client;
   - The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
   - The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
   - The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
   - The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements), 2018;
   - The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
   - The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021;
   - The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; Not Applicable for the year under review.
   - The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021;
   - The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021; Not applicable for the year under review.

f. Reserve Bank of India Act, 1934 and RBI Directions and Guidelines as applicable to the NBFCs including Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, The Prevention of Money Laundering Act, 2002.
g. Scale Based Regulation (SBR): Revised Regulatory Framework for NBFCs notified vide RBI circular No. RBI/2021-22/112 DOR.CRE.REC. No.60/03.10.001/2021-22 dated October 22, 2021.

2. We have also examined compliance with the applicable clauses of the following:

a. Secretarial Standards with respect to Meetings of Board of Directors (SS-1) and General Meetings (SS-2) issued by The Institute of Company Secretaries of India
b. The Listing Agreement entered into by the Company with the BSE Limited as per the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 for listing of its Non- Convertible Debentures;
c. The Listing Agreements entered into by the Company with the BSE Limited and National Stock Exchange of India Limited as per the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 for listing of its Equity Shares;

We further report that during the period under review the Company has complied with the provisions of the applicable Acts, Rules, Regulations, Guidelines, Standards, etc. as mentioned above subject to the following observation:

There was a delay in considering & reporting of Financial results by fourteen days for the period ended September 2022 to the stock exchange, under Regulations 50(1), 52, 54(2) of SEBI LODR, 2015. We have been informed by the management that the delay was due to the process and time lines involved in the Initial Public Offering undertaken by the Company for listing of its equity shares on the Stock Exchanges on November 21, 2022.

3. We further report that:

a. The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act;
b. Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent in advance and a proper system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting;
c. As per the minutes of the meetings duly recorded and signed by the Chairman, the decisions of the Board were unanimous and no dissenting views have been recorded.

4. We further report that based on the information received, records maintained and representation received, there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with all applicable laws, rules, regulations and guidelines.

5. We further report that during the audit period:

a. The shareholders of the Company passed a special resolution for private placement of debentures under Sections 42 and 71 of the Act at the Annual general meeting held on September 2, 2022 up to a sum of INR 4,000 Crores.
b. The Company has come out with an Initial Public Offer (“IPO”) cum Offer for Sale (“OFS”) and the shares of the Company are listed on BSE Limited (“BSE”) and National Stock Exchange (“NSE”) on November 21, 2022.
c. Mr Lakshmipathy Deenadayalan, Chairman & Managing Director (DIN: 01723269) was re-appointed as Chairman and Managing Director for a further period of 5 years with effect from June 01, 2022 at the Annual General Meeting held on September 2, 2022 by the shareholders by passing a special resolution.
d. Mr Ramkumar Ramamoorthy (DIN: 07936844) was appointed as an Additional Independent Director by the Board on June 8, 2022. His appointment was subsequently approved by the shareholders by passing a special resolution for a term of 5 years at the Annual General meeting held on September 2, 2022.

For ***S Sandeep & Associates***
S Sandeep
Company Secretary in Practice
UDIN: F005853E000264815
FCS No.: 5853
C P No.: 5987
PR No: 1116/2021

Place: Chennai
Date: May 09, 2023

This report is to be read with our letter of even date, which is annexed as Annexure I and forms an integral part of this report.

To,
The Members,
FIVE-STAR BUSINESS FINANCE LIMITED
New No.27, Old No.4, Taylor's Road,
Kilpauk, Chennai – 600010.

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of accounts of the Company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For ***S Sandeep & Associates***
S Sandeep
Company Secretary in Practice
UDIN: F005853E000264815
FCS No.: 5853
C P No.: 5987
PR No: 1116/2021

Place: Chennai
Date: May 09, 2023

ANNUAL REPORT ON CSR ACTIVITIES FOR FINANCIAL YEAR 2022-23

1. Brief outline on CSR Policy of the Company:

Being an integral part of this society, Five-Star is committed towards giving something back to the society. The Company shall seek to positively impact the lives of the disadvantaged by supporting and engaging in activities that aim to improve their livelihood and well-being. Your Company has chosen to make its contribution in 3 areas – education, health and livelihood – as these are the 3 basic necessities of every human to lead good life.

Your Company would be undertaking the CSR activities as listed in Schedule VII and Section 135 of the Companies Act, 2013 and the Rules framed thereunder and as per its CSR policy.

2. Composition of CSR Committee:

Name of Director	Designation / Nature of Directorship	No of meetings of CSR Committee held during the year	No of meetings of CSR Committee attended during the year
Mr Lakshmipathy Deenadayalan	Chairman & Managing Director	2	2
Mr Anand Raghavan	Independent Director	2	2
Ms Bhama Krishnamurthy	Independent Director	2	2

3. Web-link where Composition of CSR Committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the Company: https://fivestargroup.in/investors/

4. Details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014: Not Applicable

5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any: Not Applicable

6. Average net profit of the Company as per section 135(5): INR 48,060 lakhs

7. a) Two percent of average net profit of the Company as per section 135(5)	INR 961.20 lakhs
b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years	Nil
c) Amount required to be set off for the financial year, if any	Nil
d) Total CSR obligation for the financial year (7a + 7b - 7c)	INR 961.20 lakhs

8. a). CSR amount spent or unspent for the financial year:

Total Amount Spent for the financial year (INR in lakhs)	Amount Unspent (₹ in lakhs)				
	Total Amount transferred to Unspent CSR Account as per section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)		
	Amount (INR in lakhs)	Date of transfer	Name of the Fund	Amount (INR in lakhs)	Date of transfer
529.77	177.70	23-03-23	-	-	-
	124.00	29-03-23	-	-	-
	129.80	30-03-23	-	-	-

b). Details of CSR amount spent against ongoing projects for the financial year:

1.	S. No.		A
2.	Name of the Project		Valluvar Gurukulam Project
3.	Item from the list of activities in Schedule VII to the Act		(ii) Promoting Education
4.	Local area (Yes/No)		Yes
5.	Location of	State	Tamil Nadu
	the project	District	Chennai
6.	Project duration		3 Years
7.	Amount allocated for the project (INR in lakhs)		218.84
8.	Amount spent in the current financial year (INR in lakhs)		41.14
9.	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (INR in lakhs)		177.70
10.	Mode of Implementation -Direct (Yes/No)		Yes
11.	Mode of Implementation -	Name	Not Applicable
	Through Implementing Agency	CSR Registration number	Not Applicable

1.	S. No.		B
2.	Name of the Project		Sri Sathya Sai Institute of Educare
3.	Item from the list of activities in Schedule VII to the Act		(ii) Promoting Education
4.	Local area (Yes/No)		Yes
5.	Location of	State	Tamil Nadu
	the project	District	Chennai
6.	Project duration		3 Years
7.	Amount allocated for the project (INR in lakhs)		136
8.	Amount spent in the current financial year (INR in lakhs)		6.20
9.	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (INR in lakhs)		129.80
10.	Mode of Implementation -Direct (Yes/No)		Yes
11.	Mode of Implementation -	Name	Not Applicable
	Through Implementing Agency	CSR Registration number	Not Applicable

1.	S. No.		C
2.	Name of the Project		Team Everest
3.	Item from the list of activities in Schedule VII to the Act		(ii) Promoting Education
4.	Local area (Yes/No)		Yes
5.	Location of	State	Tamil Nadu
	the project	District	Chennai
6.	Project Duration		3 Years
7.	Amount allocated for the project (INR in lakhs)		126.00
8.	Amount spent in the current financial year (INR in lakhs)		2.00
9.	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (INR in lakhs)		124.00
10.	Mode of Implementation -Direct (Yes/No)		Yes
11.	Mode of Implementation -	Name	Not Applicable
	Through Implementing Agency	CSR Registration number	Not Applicable

c). Details of CSR amount spent against other than ongoing projects for the financial year: INR 480.43 lakhs

1.	S. No.		A
2.	Name of the Project		Single Teacher Schools, unit of Swami Vivekananda Rural Development Society
3.	Item from the list of activities in Schedule VII to the Act		(i) promoting health care including preventive health care and sanitation
4.	Local area (Yes/No)		Yes
5.	Location of	State	Tamil Nadu
	the project	District	Chennai
6.	Project Duration		Not Applicable
7.	Amount allocated for the project (INR in lakhs)		110.00
8.	Amount spent in the current financial year (INR in lakhs)		110.00
9.	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (INR in lakhs)		NIL
10.	Mode of Implementation -Direct (Yes/No)		Yes
11.	Mode of Implementation -	Name	Not Applicable
	Through Implementing Agency	CSR Registration number	Not Applicable

1.	S. No.		B
2.	Name of the Project		Single Teacher Schools, unit of Swami Vivekananda Rural Development Society
3.	Item from the list of activities in Schedule VII to the Act		(ii) promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.
4.	Local area (Yes/No)		Yes
5.	Location of the project	State	Tamil Nadu
		District	Chennai
6.	Project Duration		Not Applicable
7.	Amount allocated for the project (INR in lakhs)		25.00
8.	Amount spent in the current financial year (INR in lakhs)		25.00
9.	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (INR in lakhs)		NIL
10.	Mode of Implementation -Direct (Yes/No)		Yes
11.	Mode of Implementation - Through Implementing Agency	Name	Not Applicable
		CSR Registration number	Not Applicable

1.	S. No.		C
2.	Name of the Project		Ramakrishna Mission Students Home, unit of Ramakrishna Mission
3.	Item from the list of activities in Schedule VII to the Act		(ii) Promoting Education (iii)Promoting gender equality and reducing inequalities faced by socially backward people
4.	Local area (Yes/No)		Yes
5.	Location of the project	State	Tamil Nadu
		District	Chennai
6.	Project Duration		Not Applicable
7.	Amount allocated for the project (INR in lakhs)		241.43
8.	Amount spent in the current financial year (INR in lakhs)		241.43
9.	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (INR in lakhs)		NIL
10.	Mode of Implementation -Direct (Yes/No)		Yes
11.	Mode of Implementation - Through Implementing Agency	Name	Not Applicable
		CSR Registration number	Not Applicable

1.	S. No.		D
2.	Name of the Project		Alagappa Chettiar College of Engineering & Technology Old Students Association
3.	Item from the list of activities in Schedule VII to the Act		(ii) Promoting Education
4.	Local area (Yes/No)		Yes
5.	Location of the project	State	Tamil Nadu
		District	Karaikudi
6.	Project Duration		Not Applicable
7.	Amount allocated for the project (INR in lakhs)		10.00
8.	Amount spent in the current financial year (INR in lakhs)		10.00
9.	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (INR in lakhs)		NIL
10.	Mode of Implementation -Direct (Yes/No)		Yes
11.	Mode of Implementation - Through Implementing Agency	Name	Not Applicable
		CSR Registration number	Not Applicable

1.	S. No.		E
2.	Name of the Project		The United Educational & Social Welfare Trust
3.	Item from the list of activities in Schedule VII to the Act		(iii)Promoting gender equality and reducing inequalities faced by socially backward people
4.	Local area (Yes/No)		Yes
5.	Location of the project	State	Tamil Nadu
		District	Coimbatore
6.	Project Duration		Not Applicable
7.	Amount allocated for the project (INR in lakhs)		9.70
8.	Amount spent in the current financial year (INR in lakhs)		9.70
9.	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (INR in lakhs)		NIL
10.	Mode of Implementation -Direct (Yes/No)		Yes
11.	Mode of Implementation - Through Implementing Agency	Name	Not Applicable
		CSR Registration number	Not Applicable

1.	S. No.		F
2.	Name of the Project		M.S Swaminathan Research Foundation
3.	Item from the list of activities in Schedule VII to the Act		(ii) Promotion of Education
4.	Local area (Yes/No)		Yes
5.	Location of the project	State	Tamil Nadu
		District	Namakkal and Nagapatinam
6.	Project Duration		Not Applicable
7.	Amount allocated for the project (INR in lakhs)		50.00
8.	Amount spent in the current financial year (INR in lakhs)		50.00
9.	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (INR in lakhs)		NIL
10.	Mode of Implementation -Direct (Yes/No)		Yes
11.	Mode of Implementation - Through Implementing Agency	Name	Not Applicable
		CSR Registration number	Not Applicable

1.	S. No.		G
2.	Name of the Project		Ramakrishna Mission Students Home
3.	Item from the list of activities in Schedule VII to the Act		(i) promoting health care including preventive health care and sanitation (ii) Promoting Education
4.	Local area (Yes/No)		Yes
5.	Location of the project	State	Tamil Nadu
		District	Chennai
6.	Project Duration		Not Applicable
7.	Amount allocated for the project (INR in lakhs)		34.30
8.	Amount spent in the current financial year (INR in lakhs)		34.30
9.	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (INR in lakhs)		NIL
10.	Mode of Implementation -Direct (Yes/No)		Yes
11.	Mode of Implementation - Through Implementing Agency	Name	Not Applicable
		CSR Registration number	Not Applicable

d) Amount spent in Administrative Overheads: Nil

e) Amount spent on Impact Assessment, if applicable: Not Applicable

f) Total amount spent for the financial year (8a + 8b + 8c + 8d): INR 961.27 lakhs

g) Excess amount for set off if any: Nil

9. a) Details of Unspent CSR amount for the preceding three financial years:

Preceding financial year	Amount transferred to Unspent CSR Account under Section 135(6) (INR in lakhs)	Balance Amount in Unspent CSR Account under subsection (6) of section 135	Amount spent in the reporting financial year (INR in lakhs)	Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)			Amount remaining to be spent in succeeding financial year (INR in lakhs)	Deficiency, if any
				Name of the Fund	Amount (INR in lakhs)	Date of transfer		
FY 2019 - 20	NIL	-	-	-	-	-	-	-
FY 2020 - 21	150.00*	50.00	50.00	-	-	-	50.00	-
FY 2021 - 22	NIL	-	-	-	-	-	-	-

* The amount of INR 50 lakhs was spent in FY 2021-22 and INR 50 lakhs in FY 2022-23.

b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):

1.	S. No.	A
2.	Project ID	-
3.	Name of the Project	Sri Sathya Sai Institute of Educare Project
4.	Financial Year in which the project was commenced	2020-21
5.	Project duration	3 years
6.	Amount allocated for the project (INR in lakhs)	176.13
7.	Amount spent on the project in the reporting financial year (INR in lakhs)	50.00
8.	Cumulative amount spent at the end of the reporting financial year (INR in lakhs)	126.13
9.	Status of Project (Ongoing / Completed)	Ongoing

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details) – Not Applicable

11. Specify the reason(s), if the Company has failed to spend two per cent of the average net profit as per section 135(5): – Not Applicable

For and on behalf of the Board of Directors

Place: Chennai
Date: May 09, 2023

Lakshmipathy Deenadayalan
Chairman & Managing Director
DIN: 01723269

Corporate Governance Report

Corporate Governance Report

The fundamental objective of "Good Corporate Governance and Ethics" is to ensure the commitment of an organization in managing the Company in a legal and transparent manner in order to maximize the long-term value for all its stakeholders i.e. shareholders, customers, employees and other partners.

Company Philosophy

Five-Star Business Finance Limited's (Five-Star) philosophy on corporate governance envisages adherence to the highest levels of commitment, integrity, transparency, accountability and fairness, in all areas of its business and in all interactions with its stakeholders.

Your Company has fair, transparent and ethical governance practices, essential for augmenting long-term stakeholder value and retaining investor trust. This has been possible through continued efforts and commitment to the highest standards of corporate conduct.

Your Company has a dynamic, experienced and well-informed Board. The Board along with its Committees, with the Corporate Governance mechanism in place, undertakes its fiduciary duties towards all its stakeholders. Your Company has adopted a set of internal guidelines on Corporate Governance in line with its philosophy and the same is available on the website of the Company at https://fivestargroup.in/investors/.

Your Company is in compliance with the Master Directions applicable to Systemically Important Non-Deposit Taking Non-Banking Finance Companies issued by the Reserve Bank of India and applicable SEBI LODR regulations.

Board of Directors

The corporate governance practices of the Company ensure that the board of directors remains informed, independent and involved in the Company and that there are ongoing efforts towards better governance to mitigate risks.

The board is committed to representing the long-term interests of the stakeholders and in providing effective governance over the Company's affairs and exercise reasonable business judgment on the affairs of the Company.

The Company's day to day affairs is managed by the Chairman & Managing Director and a competent management team, under the overall supervision of the Chairman and the board. The Company has in place an appropriate risk management system covering various risks that the Company is exposed to which are discussed and reviewed by the Board and other relevant Board Committees. The Company's commitment to ethical and lawful business conduct is a fundamental shared value of the Board, the Senior Management, and all employees of the Company.

Composition

In compliance with the provisions of the Companies Act, 2013, and SEBI (LODR) Regulations, 2015, the Board of your Company has an optimum combination of Executive, Non-Executive and Independent Directors. As on the date of this report, your Board of Directors consists of Eight (8) members including the Chairman & Managing Director. Of these, four (4) are Independent Directors (out of which one (1) is Women Director) and three (3) are Non-Executive Directors.

Mr Lakshmipathy Deenadayalan is the Executive Chairman & Managing Director of the Company.

The board members have collective experience in diverse fields like banking and financial services, audit, finance, risk, compliance, technology and data science. The directors are appointed based on their qualification and experience in varied fields. None of the directors are inter-se related.

The details of directors as of March 31, 2023, including the details of their other board directorship and committee membership reckoned in line with the SEBI (LODR) Regulations, 2015 and Companies Act, 2013 the Act as well as their shareholdings, are given below:

Name	Category	No of Shares held in the Company	No of Directorship including Five-Star as per reg 17A	No of Committee membership including Five-Star as per reg 26
Mr Lakshmipathy Deenadayalan	Promoter Chairman & Managing Director	30,690,678	1	1
Ms Bhama Krishnamurthy	Independent Director	NIL	5	6
Mr Anand Raghavan	Independent Director	NIL	1	4
Mr T T Srinivasaraghavan	Independent Director	NIL	2	1
Mr Ramkumar Ramamoorthy	Independent Director	NIL	1	1
Mr Vikram Vaidyanathan	Non-Executive Director	NIL	1	1
Mr G V Ravishankar	Non-Executive Director	NIL	2	1
Mr Vasan Thirulokchand	Non-Executive Director	NIL	1	1

The names of the other listed entities where the directors are holding directorship as at March 31, 2023 are given below:

Name	Names of the Listed Entities	Category
Mr Lakshmipathy Deenadayalan	-	-
Ms Bhama Krishnamurthy	Thirumalai Chemicals Limited	Independent Director
	Network18 Media & Investments Limited	Independent Director
	Cholamandalam Investment and Finance Company Limited	Independent Director
	CSB Bank Limited	Independent Director
Mr Anand Raghavan	-	-
Mr T T Srinivasaraghavan	Sundaram Finance Limited	Non-Executive Director
Mr Vasan Thirulokchand	-	-
Mr Vikram Vaidyanathan	-	-
Mr G V Ravishankar	-	-
Mr Ramkumar Ramamoorthy	-	-

In the opinion of the board, the independent directors of the Company fulfill the conditions specified in Listing Regulations / Companies Act, 2013 and are independent of the management of the Company.

Meetings of the Board

The Board/ Committee meets at regular intervals with an annual calendar and a formal schedule of matters specifically reserved for its attention to ensure that it is able to oversee significant strategic, financial, operational and compliance matters. The Board/ Committee is regularly briefed and updated on the key activities of the business and is provided with comprehensive briefings and presentations on operations, asset liability management, risk & IT framework, fraud control, quarterly financial statements and other matters concerning the Company. The Board at every meeting also reviews the important regulatory changes and correspondence between two meetings.

The Board / Committee Meetings are convened by giving appropriate notice well in advance of the meetings. The Directors / Members are provided with appropriate information in the form of agenda in a timely manner to enable them to deliberate on each agenda item and make informed decisions and provide appropriate directions to the Management.

Video-conferencing facility is made available to facilitate Director(s) present at other locations to participate in the meetings. The same is conducted in compliance with the applicable laws. The Management Team attends the Board and Committee meetings upon invitation on need basis.

The Board periodically reviews the matters required to be placed before it and inter-alia reviews and approves the quarterly financial statements, business model, annual budgets and revisions to the same, if any. It monitors the overall performance and reviews other matters which require the Board's attention.

The Board also takes on record the declarations and confirmations made by the Executive Director, Chief Financial Officer, and Company Secretary, regarding compliances of all laws.

During the financial year ended March 31, 2023, 15 (Fifteen) Board Meetings were held on April 27, 2022, May 12, 2022, June 8, 2022, July 26, 2022, October 6, 2022, October 12, 2022, October 13, 2022, November 01, 2022, November 2, 2022, November 7, 2022, November 15, 2022, November 17, 2022, November 28, 2022, January 28, 2023, February 25, 2023, and not more than 120 days elapsed between any two meetings

Particulars of the Directors' attendance to the Board Meetings during the financial year ended March 31, 2023, are given below:

Name of the Directors	Designation & Category	No. of meetings entitled to attend	No. of meetings attended	% of attendance	Attendance at last AGM held on September 02, 2022
Mr Lakshmipathy Deenadayalan	Chairman & Managing Director	15	14	93.33%	Yes
Mr Ramanathan Annamalai*	Independent Director	2	2	100.00%	NA
Ms Bhama Krishnamurthy	Independent Director	15	15	100.00%	No
Mr Anand Raghavan	Independent Director	15	15	100.00%	Yes
Mr T T Srinivasaraghavan	Independent Director	15	15	100.00%	No
Mr Ramakumar Ramamoorthy**	Independent Director	13	13	100.00%	No
Mr Vasan Thirulokchand	Non-Executive Non-Independent Director	15	15	100.00%	No
Mr Vikram Vaidyanathan	Non-Executive Non-Independent Director	15	8	53.33%	No
Mr Ravishankar G V	Non-Executive Non-Independent Director	15	9	60.00%	No

* Ceased to be Director from May 25, 2022

** Appointed as Director from June 08, 2022

Changes in Board of Directors

During the financial year under review, the following changes took place in the composition of the Board of Directors:

- Mr Ramanathan Annamalai stepped down as an Independent Director effective from May 25, 2022, consequent to completion of term.
- Mr Ramkumar Ramamoorthy (DIN: 07936844) has been appointed as an independent Director for a term of 5 years by the board at its meeting held on June 8, 2022, and his appointment was approved by the shareholders at the Annual General meeting held on September 2, 2022.
- Mr Lakshmipathy Deenadayalan, Chairman & Managing Director (DIN: 01723269) was re-appointed as CMD for a further period of 5 years with effect from June 01, 2022 by the Board of Directors at its meeting held on April 27, 2022, and the same was approved by the shareholders at the Annual General Meeting held on September 2, 2022.
- During last Annual General Meeting held on September 2, 2022, Mr Vikram Vaidyanathan, non-executive (DIN: 06764019) director retired by rotation and being eligible offered himself for reappointment.

There were no changes in composition of Board of Directors between the financial year end and the date of this report.

Independent Directors

Pursuant to Section 149(7) of the Companies Act, 2013 read along with Rule 6 of the Companies (Appointment and Qualifications of Directors) Rules, 2014 of the Companies Act, 2013 and Regulation 25(8) of the SEBI (LODR) Regulations, 2015, the Company has received necessary declarations/ disclosures from each of the Independent Director of the Company stating that he/she meets the criteria of independence as required under Section 149(6) of the Companies Act, 2013 and that he/she has a valid certificate of registration for his/her enrollment into the data bank for Independent Directors.

None of the Independent Directors are Promoters or are related to Promoters. They do not have pecuniary relationship with the Company and further do not hold two percent or more of the total voting power of the Company.

The Company has formulated and adopted a policy on Fit & Proper Criteria for the Directors as per the provisions of the RBI Master Directions. All the Directors have confirmed that they satisfy the fit and proper criteria at the time of the appointment / re-appointment and on a continuing basis as prescribed under the RBI Master Directions.

The Company had issued a formal letter of appointment to all Independent Directors and the terms and conditions of their appointment have been disclosed in the website of the Company.

During the year under review, in line with the requirement under section 149(8) and schedule IV of the Act, the independent directors had a separate meeting on January 21, 2023 to enable Independent Directors, discuss matters relating to Company's affairs and put forth their views without the presence of the non-independent directors and management team.

Formal Induction and Familiarisation Programme

The Company's independent directors are eminent professionals and are fully conversant and familiar with the business of the Company. The Company has an ongoing familiarization programme for all directors with regard to their roles, duties, rights, responsibilities in the Company, nature of the industry in which the Company operates, the business model of the Company, etc. The programme is embedded in the regular meeting agenda where alongside the review of operations, financials and Company strategy are presented on a quarterly basis. Specific topics of relevance with respect to the Company's operations are also covered as part of the Board Committee meetings. The details of the familiarization programme attended by directors are available on the website of the Company at https://fivestargroup.in/investors/.

At the time of induction of a director on the board of the Company, a formal invitation to join the board of the Company is sent out along with a copy of the Company's latest annual report. The director is explained in detail the compliances required of him / her under the Act, the SEBI LODR Regulations and other relevant regulations and his / her affirmation is taken with respect to the same.

By way of an introduction, the Company conducts a familiarization program covering all the businesses, functions and regulations impacting the Company to new directors. Further, there is a detailed quarterly discussion and presentation on review of operations of the Company and the regulatory updates impacting the business which helps the director familiarize himself / herself with the Company, its business, and the regulatory framework in which the Company operates.

Code of Conduct

Your Company has adopted a Code of Conduct for members of the Board (incorporating Code for Independent Directors) and the Senior Management. The Code aims at ensuring consistent standards of conduct and ethical business practices across the Company.

All Board members and senior management personnel have affirmed compliance with the Company's code of conduct for the financial year 2022-23.

A declaration to this effect has been enclosed with this report as Annex I.

Certificate from Company Secretary in Practice

Mr S Sandeep of M/s S Sandeep & Associates has issued a certificate as required under the Listing Regulations, confirming that none of the directors on the board of the Company has been debarred or disqualified from being appointed or continuing as director of companies by SEBI / Ministry of Corporate Affairs or any such statutory authority. A certificate to this effect has been enclosed to this report as Annex II.

Competencies of the Board

The following is the list of core skills / expertise / competencies identified by the Board of Directors as required in the context of Company's business for effective functioning. It is also confirmed that the directors possess these skills and competencies to ensure effective functioning of the Company.

Core skills / Expertise / Competencies

Financial Services

Strategy & Planning

Risk Management

Corporate Governance

Technology

Management & Leadership

The director-wise skills and competencies are laid out in the table below:

Name of the Directors	Core skills / Expertise / Competencies
Mr Lakshmipathy Deenadayalan	Financial Services, Strategy & Planning, Risk Management, Corporate Governance and Management & Leadership
Ms Bhama Krishnamurthy	Financial Services, Strategy & Planning, Risk Management, Corporate Governance and Management & Leadership
Mr Anand Raghavan	Financial Services, Strategy & Planning, Risk Management, Corporate Governance and Management & Leadership
Mr T T Srinivasaraghavan	Financial Services, Strategy & Planning, Risk Management, Corporate Governance, Technology, Management & Leadership
Mr Vasan Thirulokchand	Financial Services, Strategy & Planning, Corporate Governance and Management & Leadership
Mr Vikram Vaidyanathan	Financial Services, Strategy and Planning, Corporate Governance, Technology, Management & Leadership
Mr G V Ravishankar	Financial Services, Strategy and Planning, Corporate Governance, Technology, Management & Leadership
Mr Ramkumar Ramamoorthy	Technology, Strategy and Planning, Corporate Governance, Management & Leadership

Committees of the Board

As on March 31, 2023, your Company has eight Committees constituted by the Board viz. Audit Committee (AC), Nomination & Remuneration Committee (NRC), Stakeholders Relationship Committee (SRC), Risk Management Committee (RMC), Corporate Social Responsibility Committee (CSR), Business & Resource Committee (BRC), IT Strategy Committee (ITC) and Asset & Liability Committee (ALCO).

The Board at the time of constitution of each committee fixes the terms of reference, reviews it and delegates powers from time to time. Various recommendations of the committees are submitted to the board for approval. During the year, the board had accepted all recommendations of the committees. The minutes of the meetings of all the committees are circulated to the board for its information.

Details of the Committees of the Board and other related information as of March 31, 2023 are given in the table below:

Name of the Directors	AC	NRC	SRC	RMC	CSR	BRC	ITC	ALC
Mr Lakshmipathy Deenadayalan	-	-	M	M	C	C	M	C
Mr Anand Raghavan	C	M	-	M	M	-	-	-
Ms Bhama Krishnamurthy	M	C	-	M	M	-	-	-
Mr T T Srinivasaraghavan	-	-	-	C	-	-	-	-
Mr Ramakumar Ramamoorthy	-	-	C	M	-	-	C	-
Mr Vasan Thirulokchand	-	-	M	-	-	M	-	-
Mr Vikram Vaidyanathan	M	M	-	-	-	M	-	-
Mr Ravishankar G V	-	-	-	-	-	-	M	-

C: Chairperson M: Member

Audit Committee

Composition and Meetings

As on the date of this report, the Audit Committee consists of the following members:

1. Mr Anand Raghavan, Independent Director (Chairperson)
2. Ms Bhama Krishnamurthy, Independent Director
3. Mr Vikram Vaidyanathan, Non-Executive Director

The Audit Committee of the Board met six (6) times during the financial year on April 26, 2022, June 8, 2022, July 25, 2022, October 06, 2022, November 28, 2022 and January 27, 2023 respectively. The gap between two meetings of the Committee did not exceed one hundred and twenty days (120) and the requisite quorum was present in all the Committee meetings. In addition to the members of the Audit Committee, these meetings were also attended by the Chief Financial Officer, Internal Auditors, Statutory Auditors and other management team members who were considered necessary for providing inputs to the Committee. The Company Secretary acts as the Secretary to the Audit Committee.

Name of Members	Category	Designation	No. of meeting entitled to attend	No. of meeting attended
Anand Raghavan	Independent Director	Member & Chairperson	6	6
Bhama Krishnamurthy	Independent Director	Member	6	6
Ramanathan Annamalai^	Independent Director	Member	1	1
Vikram Vaidyanathan*	Non-Executive Director	Member	5	2

^ Ceased to be Member from May 25, 2022

* Appointed as member from May 26, 2022

Terms of reference:

1. Overseeing the Company's financial reporting process and disclosure of its financial information to ensure that its financial statements are correct, sufficient and credible;
2. Recommending to the Board the appointment, remuneration and terms of appointment of the statutory auditor of the Company;
3. Reviewing and monitoring the statutory auditor's independence and performance, and effectiveness of audit process;
4. Approving payments to statutory auditors for any other services rendered by the statutory auditors;
5. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:
   a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act;
   b. Changes, if any, in accounting policies and practices and reasons for the same;
   c. Major accounting entries involving estimates based on the exercise of judgment by management;
   d. Significant adjustments made in the financial statements arising out of audit findings;
   e. Compliance with listing and other legal requirements relating to financial statements;
   f. Disclosure of any related party transactions; and
   g. Modified opinion(s) in the draft audit report.
6. Reviewing, with the management, the quarterly, half-yearly and annual financial statements before submission to the Board for approval;
7. Reviewing, with the management, the statement of uses/ application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/ prospectus/ notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter. This also includes monitoring the use/ application of the funds raised through the proposed initial public offer by the Company;
8. Approval or any subsequent modifications of transactions of the Company with related parties and omnibus approval for subject to the conditions as may be prescribed, by the independent directors who are members of the Audit Committee;
9. Scrutinising of inter-corporate loans and investments;
10. Valuation of undertakings or assets of the Company, wherever it is necessary;
11. Evaluating of internal financial controls and risk management systems;
12. Establishing a vigil mechanism for directors and employees to report their genuine concerns or grievances
13. Reviewing, with the management, the performance of statutory and internal auditors, and adequacy of the internal control systems;
14. Reviewing the adequacy of internal audit function if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
15. Discussing with internal auditors on any significant findings and follow up thereon;
16. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
17. Discussing with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
18. Looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors;
19. Reviewing the functioning of the whistle blower mechanism;
20. Approving the appointment of the Chief Financial Officer or any other person heading the finance function or discharging that function after assessing the qualifications, experience and background, etc. of the candidate;
21. Reviewing the utilization of loans and/ or advances from/investment by the holding Company in any subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments existing as per applicable law.
22. Considering and commenting on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the Company and its shareholders.
23. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee and any other terms of reference as may be decided by the Board and/or specified/provided under the Companies Act, the Listing Regulations or by any other regulatory authority.

The Audit Committee shall mandatorily review the following information:

1. Management's discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the Audit Committee), submitted by the management. Provided that only those members of the audit committee, who are independent; directors, shall approve related party transactions.;
3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses;
5. The appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee;
6. Examination of the financial statements and the auditors' report thereon; and
7. Statement of deviations:
   a. quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of the Listing Regulations; and
   b annual statement of funds utilised for purposes other than those stated in the document/prospectus/notice in terms of the Listing Regulations.

Nomination & Remuneration Committee

Composition and Meetings

As on the date of this report, the Nomination & Remuneration Committee consists of the following members:

1. Ms Bhama Krishnamurthy, Independent Director (Chairperson)
2. Mr Anand Raghavan, Independent Director
3. Mr Vikram Vaidyanathan, Non-Executive Director

The Nomination & Remuneration Committee of the Board met 3 (Three) times during the financial year on April 25, 2022, June 6, 2022 and February 25, 2023. The requisite quorum was present in all the Committee meetings. In addition to the members of the Nomination & Remuneration Committee, these meetings were also attended by the management team members who were considered necessary for providing inputs to the Committee on need basis. The Company Secretary acts as the Secretary to the Nomination & Remuneration Committee.

Name of Members	Category	Designation	No. of meeting entitled to attend	No. of meeting attended
Bhama Krishnamurthy	Independent Director	Member & Chairperson	3	3
Anand Raghavan*	Independent Director	Member	2	2
Ramanathan Annamalai^	Independent Director	Member	1	1
Vikram Vaidyanathan	Non-Executive Director	Member	3	2

^ Ceased to be Member from May 25, 2022

* Appointed as member from May 26, 2022

Terms of Reference

1. Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommending to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;
2. For every appointment of an independent director, the Nomination & Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:

a. use the services of an external agencies, if required;

b. consider candidates from a wide range of backgrounds, having due regard to diversity; and

c. consider the time commitments of the candidates.

3. Formulation of criteria for evaluation of the performance of the independent directors and the Board;
4. Devising a policy on Board diversity;
5. Identifying persons who qualify to become directors or who may be appointed in senior management in accordance with the criteria laid down, recommending to the Board their appointment and removal, and carrying out evaluations of every director's performance;
6. Determining whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;
7. Analysing, monitoring and reviewing various human resource and compensation matters;
8. Determining the Company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment, and determining remuneration packages of such directors;
9. Determining the compensation levels payable to the senior management personnel and other staff (as deemed necessary), which shall be market-related, usually consisting of a fixed and variable component;
10. Reviewing and approving compensation strategy from time to time in the context of the then current Indian market in accordance with applicable laws;
11. Performing such functions as are required to be performed by the Compensation Committee under the Securities and Exchange Board of India ((Share Based Employee Benefits and Sweat Equity) Regulations, 2021, as amended;
12. Framing suitable policies and systems to ensure that there is no violation, by an employee of any applicable laws in India or overseas, including:

a. the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended; or

b. the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003, as amended.

13. Performing such other activities as may be delegated by the Board and/or specified/provided under the Companies Act, the Listing Regulations or by any other regulatory authority; and
14. Recommend to the Board, all remuneration, in whatever form, payable to senior management.

Performance Evaluation of Board, its Committees and Directors

As per the provisions of the Companies Act, 2013 and SEBI LODR Regulations, the Board has carried out an annual performance evaluation of its own performance, the directors individually as well as the evaluation of the working of its Committees. A structured exercise was carried out based on the criteria for evaluation forming part of the Appointment, Remuneration & Evaluation Policy, including framework for performance evaluation of Directors, Board & Committees, Criteria for Evaluation and the inputs received from the Directors, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committee, attendance at meetings, Board culture, duties of directors, and governance. The evaluation process is completely conducted internally in secured digital mode.

The aforesaid policy is available on the website of the Company at https://fivestargroup.in/investors/.

Stakeholders Relationship Committee

Composition and Meetings

As on the date of this report, the Stakeholders Relationship Committee consists of the following members:

1. Mr Ramkumar Ramamoorthy, Independent Director (Chairperson)
2. Mr Lakshmipathy Deenadayalan, Chairman & Managing Director
3. Mr Thirulokchand Vasan, Non-Executive Director

The Stakeholders Relationship Committee met on March 18, 2023. The requisite quorum was present in the Committee meeting. Ms Shalini Baskaran, Company Secretary is the compliance officer. The Company Secretary acts as the Secretary to the Stakeholders Relationship Committee.

Name of Members	Category	Designation	No. of meeting entitled to attend	No. of meeting attended
Ramkumar Ramamoorthy	Independent Director*	Member & Chairperson	1	1
Thirulokchand Vasan	Non-Executive Director	Member	1	1
Lakshmipathy Deenadayalan	Chairman & Managing Director	Member	1	1
Ramanathan Annamalai	Independent Director^	Member	-	-

^ Ceased to be Member from May 25, 2022

* Appointed as Member and Chairperson from June 08, 2022

Terms of Reference

1. To consider and resolve the grievances of the security holders of the Company including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc. and assisting with quarterly reporting of such complaints;
2. To review measures taken for effective exercise of voting rights by shareholders;
3. To review adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Share Transfer Agent;
4. To review the various measures and initiatives taken by the Company for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Company; and
5. Carrying out such other functions as may be specified by the Board from time to time or specified/provided under the Companies Act, 2013 or the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, each as amended or by any other regulatory authority.

Details of Investor Complaints

While the Company has dematerialized its shares and debentures, there are still some shareholders who hold their shares in physical form. The Company has appointed KFinTech as Registrar and Share Transfer Agent for the equity shares and NDML as its Registrar and Transfer Agent for its debentures issuances. Both these entities have adequate systems to ensure provision of proper service to the shareholders and debenture holders in accordance with applicable corporate and securities laws and as per accepted service standards.

During the year, the company had received 200 complaints/queries from the shareholders which have been resolved. There were no investor complaints pending as at March 31, 2023 and no complaints that were not solved to the satisfaction of shareholders.

Risk Management Committee - Composition and Meetings

As on the date of this report, the Risk Management Committee comprises of the following members:

1. Mr T T Srinivasaraghavan, Independent Director (Chairperson)
2. Ms Bhama Krishnamurthy, Independent Director
3. Mr Lakshmipathy Deenadayalan, Chairman & Managing Director
4. Mr Anand Raghavan, Independent Director
5. Mr Ramkumar Ramamoorthy, Independent Director

The Risk Management Committee met 2 (Two) times during the financial year on July 30, 2022 and January 21, 2023. The requisite quorum was present in all the Committee meetings. The Company Secretary acts as the Secretary to the Risk Management Committee.

Name of Members	Category	Designation	No. of meeting entitled to attend	No. of meeting attended
T T Srinivasaraghavan	Independent Director	Member & Chairperson	2	2
Anand Raghavan	Independent Director	Member	2	2
Bhama Krishnamurthy	Independent Director	Member	2	2
Ramkumar Ramamoorthy^	Independent Director	Member	-	-
Lakshmipathy Deenadayalan	Chairman & Managing Director	Member	2	2

^ Appointed as member from January 28, 2023

Terms of Reference

1. To formulate a detailed risk management policy which shall include:
a. A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
b. Measures for risk mitigation including systems and processes for internal control of identified risks.
c. Business continuity plan.
2. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
3. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
4. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
5. To keep the Board of Directors informed about the nature and content of its discussions, recommendations and actions to be taken;
6. The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee;
7. To carry out such other functions as may be specified by the Board from time to time or specified/provided under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, each as amended or by any other regulatory authority.

Corporate Social Responsibility Committee

Composition and Meetings

As on the date of this report the Corporate Social Responsibility Committee comprises of following members:
1. Mr Lakshmipathy Deenadayalan, Chairman & Managing Director (Chairperson)
2. Ms Bhama Krishnamurthy, Independent Director
3. Mr Anand Raghavan, Independent Director

The Corporate Social Responsibility Committee of the Board met 2 (two) times during the financial year on December 23, 2022, and March 18, 2023. The requisite quorum was present in all the Committee meetings. The Company Secretary acts as the Secretary to the CSR Committee.

Name of Members	Category	Designation	No. of meeting entitled to attend	No. of meeting attended
Lakshmipathy Deenadayalan	Chairman & Managing Director	Member & Chairperson	2	2
Anand Raghavan	Independent Director	Member	2	2
Bhama Krishnamurthy	Independent Director	Member	2	2

Terms of Reference

1. Formulation of a corporate social responsibility policy to the Board, indicating the activities to be undertaken by the Company in areas or subjects specified in the Companies Act, 2013. The activities should be within the list of permitted activities specified in the Companies Act, 2013 and the rules thereunder;
2. To recommend the amount of expenditure to be incurred, amount to be at least 2% of the average net profit of the Company in the three immediately preceding financial years or where the Company has not completed the period of three financial years since its incorporation, during such immediately preceding financial years;
3. To institute a transparent monitoring mechanism for implementation of the corporate social responsibility projects or programs or activities undertaken by the Company;
4. To monitor the corporate social responsibility policy from time to time and issuing necessary directions as required for proper implementation and timely completion of corporate social responsibility programmes;
5. To identify corporate social responsibility policy partners and corporate social responsibility policy programmes;
6. To identify and appoint the corporate social responsibility team of the Company including corporate social responsibility manager, wherever required;
7. To perform such other duties and functions as the Board may require the corporate social responsibility Committee to undertake to promote the corporate social responsibility activities of the Company or as may be required under applicable laws; and
8. To take note of the compliances made by implementing agency (if any) appointed for the corporate social responsibility activities of the Company.

IT Strategy Committee - Composition and Meetings

As on the date of this report, the IT Strategy Committee comprises of the following members:
1. Mr Ramkumar Ramamoorthy, Independent Director (Chairperson)
2. Mr G V Ravishankar, Non-Executive Director
3. Mr Lakshmipathy Deenadayalan, Chairman & Managing Director
4. Mr Rangarajan Krishnan, Chief Executive Officer
5. Mr Srikanth Gopalakrishnan, Chief Financial Officer
6. Mr Vanamali Sridharan, Chief Technology Officer
7. Mr Sridhar Vembu, Head – Engineering, Development & Data Sciences

The IT Strategy Committee meets regularly to review the areas falling within its terms of reference as given below. During the financial year ended March 31, 2023, the IT Strategy Committee met 3 (Three) times on April 15, 2022, September 24, 2022, and March 18, 2023, respectively. The requisite quorum was present in all the Committee meetings. The Company Secretary acts as the Secretary to the IT Strategy Committee.

Name of Members	Category	Designation	No. of meeting entitled to attend	No. of meeting attended
Ramkumar Ramamoorthy*	Independent Director	Member & Chairperson	2	2
Lakshmipathy Deenadayalan	Chairman & Managing Director	Member	3	3
G V Ravishankar	Non-Executive Director	Member	3	1
Ramanathan Annamalai^	Independent Director	Member & Chairperson	1	1

^ Ceased to be member & Chairperson from May 25, 2022

* Appointed as member & Chairperson from June 08, 2022

Terms of Reference

1. Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;
2. Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;
3. Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
4. Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;
5. Ensuring proper balance of IT investments for sustaining Five Star's growth and becoming aware about exposure towards IT risks and controls;
6. Such other terms of reference as may be laid down by RBI and/or by the Board from time to time.

Business & Resource Committee

Composition and Meetings

As on the date of this report, the Business & Resource Committee comprises of the following members:

1. Mr Lakshmipathy Deenadayalan, Chairman & Managing Director (Chairperson)
2. Mr Vikram Vaidyanathan, Non-Executive Director
3. Mr Thirulokchand Vasan, Non-Executive Director

The Business & Resource Committee of the Board met 13 (Thirteen) times during the financial year on June 25, 2022, September 03, 2022, September 26, 2022, October 31, 2022, December 19, 2022, December 28, 2022, January 06, 2023, January 10, 2023, January 18, 2023, February 23, 2023, February 24, 2023, March 25, 2023, March 30, 2023, respectively. The requisite quorum was present in all the Committee meetings.

Name of Members	Category	Designation	No. of meeting entitled to attend	No. of meeting attended
Lakshmipathy Deenadayalan	Chairman & Managing Director	Member & Chairperson	13	13
Thirulokchand Vasan	Non-Executive Director	Member	13	13
Vikram Vaidyanathan	Non-Executive Director	Member	13	0

Terms of Reference

1. Borrowing such sum or sums of moneys, availing all kinds and types of loans and credit facilities including debentures and other debt instruments, commercial paper, temporary loans from the Company's bankers, from time to time, upto such sum / limit as may be fixed by the Board of Directors / Shareholders, for and on behalf of the Company, from its directors, shareholders, banks, NBFCs, financial institutions, companies, firms, bodies corporate, Co-operative Banks, investment institutions and their subsidiaries, or from any other person as may be permitted under applicable laws, whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge of the Company's assets and/or properties, whether movable including stocks, fixed assets, book debts and to create security over the assets and / or properties of the Company in relation to such borrowings and loan/ credit facilities, modification or satisfaction of the charge/ security created on the assets and/or properties of the Company from time to time.
2. To mortgage / charge/ hypothecate all or any of the movable properties and assets of the Company both present and future and the whole or substantially the whole of the undertaking or the undertakings of the Company on such terms and conditions, as may be agreed to with the Lender(s), Debenture holders and providers of credit and debt facilities to secure the loans / borrowings / credit / debt facilities obtained or as may be obtained, or Debentures/Bonds and other instruments issued or to issued by the Company to or in favour of the financial institutions, Non-Banking Financial Companies, Co-operative Banks, investment institutions and their subsidiaries, banks, mutual funds, trusts and other bodies corporate or trustees for the holders of debentures/bonds and/or other instruments.
3. To establish current and other banking accounts with various banks upon such terms and conditions as may be agreed upon with the said bank and various other entities; to specify and change the authorized signatories and their transaction limits to the said banking accounts; to close current and other banking accounts.
4. To open one or more demat / trading / Constituent SGL (CSGL) Accounts in the name of the Company with one or more depositories for the purpose of investment and trading in government securities and treasury bills.
5. To consider and approve securitization arrangements and to authorize carrying out of all actions connected therewith.
6. Issuance of Share/Debenture and other security certificates
   a. Issuance of fresh Share/Debenture and other security certificates
   b. Issuance of duplicate Share/Debenture and other security certificates
   c. Issuance of certificates upon request for split/consolidation/replacement of old and duplicate certificates, transfer, or transmission requests.
7. To approve / ratify transfer of securities, to take note of nomination / transmission.
8. To review, modify and approve investment policy of the Company from time to time.
9. To authorize affixing the common seal of the Company in accordance with the manner laid down in the Articles of Association and to authorize taking the Common Seal out of the registered office of the Company.
10. To consider, negotiate, enter, approve and grant authorization for undertaking and/or executing derivative transactions / contracts/ agreements including but not limited to spots and forwards as well as FX

and interest rate derivative transactions like FX options, Interest Rate and Currency Swaps, Interest rate Options, all types of Structured Derivatives and Cost Reduction Structures, including third currency hedges, i.e., hedging in a currency different from that of the underlying exposure, or any combination of these derivative products or any other derivative products as permitted by the Reserve Bank of India from time to time, for the purpose of mitigation of risks on foreign currency and interest rate exposure of the Company and to give instructions to any bank/banker regarding purchase/sale/cancellation and other dealings relating to such derivative transactions on behalf of the Company.

11. To allot shares to employees pursuant to exercise of options arising out of Five-Star Associate Stock Option Scheme 2015 & Five-Star Associate Stock Option Scheme 2018 and to take necessary steps to credit the shares to the demat accounts of the allottees.

12. Any authorization to employees/officials of the Company.

13. Other authorizations as may be vested by the Board from time to time.

Asset Liability Committee

Composition and Meetings

As on the date of this report, the Asset Liability Committee comprises of the following members:

1. Mr Lakshmipathy Deenadayalan, Chairman & Managing Director - (Chairperson)
2. Mr Rangarajan Krishnan, Chief Executive Officer
3. Mr Srikanth Gopalakrishnan, Chief Financial Officer
4. Mr J Vishnuram, Chief Operating Officer
5. Mr Naveen Raj, Chief Audit Officer
6. Mr S Jayaraman, Chief Risk Officer
7. Mr S Prashanth, Chief Treasury Officer

The Asset Liability Committee meets regularly to review the areas falling within its terms of reference as given below. During the financial year ended on March 31, 2023, the Asset Liability Committee met 6 (Six) times on May 27, 2022, July 23, 2022, August 30, 2022, October 31, 2022, December 23, 2022, February 18, 2023. The requisite quorum was present in all the Committee meetings.

Terms of Reference

1. Liquidity Risk Management
2. Management of Market (Interest Rate) Risk
3. Funding and Capital Planning
4. Credit and Portfolio Risk Management
5. Setting credit norms for various lending products of the Company
6. Operational and Process Risk Management
7. Laying down guidelines on KYC norms
8. To approve and revise the actual interest rates to be charged from customers for different products from time to time applying the interest rate model.

Remuneration of Directors

The Company has in place a remuneration policy which is guided by the principles and objectives as enumerated in section 178 of the Companies Act 2013, regulation 19 read with Part D of Schedule II of SEBI LODR Regulations and RBI guidelines.

The compensation paid to the directors is within the statutory ceiling and the scale approved by the board and shareholders. The non-executive directors are also paid sitting fees subject to the statutory ceiling for all board and committee meetings attended by them.

During the financial year ended March 31, 2023, there were no pecuniary relationship / transactions of any non-executive directors with the Company, apart from receiving remuneration as directors. During the financial year ended March 31, 2023, the Company did not advance any loans to any of its directors.

Criteria for Board Nomination

The nomination & remuneration committee is responsible for identifying persons for initial nomination as directors and evaluating incumbent directors for their continued service. The committee has formulated a charter in terms of the provisions of the Act, regulation 19(4) of SEBI LODR Regulations and RBI guidelines, which inter-alia, deals with the personal traits, competencies, experience, background, and other fit and proper criteria. These attributes shall be considered for nominating candidates for board positions/re-appointment of directors.

Criteria for appointment of senior management

The nomination & remuneration committee is responsible for identifying and recommending persons who are qualified to be appointed in senior management including recommending their promotion / remuneration. The committee has formulated the charter in terms of the provisions of the Act and SEBI LODR Regulations, which inter-alia, deals with the criteria for identifying persons who are qualified to be appointed in senior management and periodical review of succession planning for board and senior management. These attributes shall be considered for nominating candidates for senior management position.

Policy on Board diversity

The nomination & remuneration committee has devised a policy on board diversity which sets out the approach to diversity on the board of the Company. The policy provides for having a truly diverse board, comprising of appropriately qualified people with a broad range of experience relevant to the business of the Company.

Remuneration of Chairman & Managing Director

The details of remuneration as approved by the Board and shareholders based on the recommendations of the Nomination & Remuneration Committee and paid to Mr Lakshmipathy Deenadayalan, Chairman & Managing Director for the financial year ended March 31, 2023, are as follows:

Name of Members	Amount (In lakhs)
Gross Salary	
Salary as per provisions of Section 17(1) of the Income Tax Act, 1961	553.75
Value of perquisites under Section 17(2) of Income Tax Act, 1961	2.98
Profits in lieu of salary under Section 17(3) of Income Tax Act, 1961	
Commission, Bonus etc	274.97
Pension	
Total	**831.70**

Remuneration of Non-Executive Directors

All directors except the Chairman and Managing Director and Non-Executive (Nominee Investor) Directors are paid a sitting fee of INR 50,000/- for attending every meeting of the Board and INR 40,000/- for attending every meeting of the Audit Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee, Risk Management Committee, IPO Committee and Independent Directors Meeting.

The Non-Executive Directors (excluding Non-Executive (Nominee Investor) Directors) and Independent Directors of the Company are paid remuneration by way of annual commission based on the recommendation by the Nomination and Remuneration Committee and approval by the Board within the limits prescribed under the Companies Act, 2013.

The details of sitting fees paid to Non-Executive Directors during the financial year are as follows:

Name	Designation	Commission (₹)	Sitting Fees (₹)		Total (₹)
			Board	Committee	
Mr Ramanathan Annamalai*	Independent Director	100,000	100,000	80,000	280,000
Mr Anand Raghavan	Independent Director	600,000	750,000	520,000	1,870,000
Ms Bhama Krishnamurthy	Independent Director	600,000	750,000	560,000	1,910,000
Mr T T Srinivasaraghavan	Independent Director	600,000	750,000	120,000	1,470,000
Mr Ramkumar Ramamoorthy	Independent Director	500,000	650,000	40,000	1,190,000
Mr Vasan Thirulokchand	Non-Executive Director	600,000	750,000	-	1,350,000
Total		3,000,000	3,750,000	1,320,000	8,070,000

*Resigned w.e.f May 25, 2022

Related Party Transactions disclosures

All related party transactions that were entered into during the financial year were on arm's length basis and in ordinary course of business. There were no materially significant transactions made by the Company with promoters, directors, key managerial personnel or other designated persons which may have a potential conflict with the interest of the Company. There were no contracts or arrangements entered into with related parties during the year to be disclosed under sections 188(1) and 134(3)(h) of the Companies Act in form AOC 2. Disclosures as required in compliance with accounting standards with related parties are disclosed in note 42 of the financial statements.

The Company has in place a policy on related party transactions as approved by the board and the same is available on the website of the Company at https://fivestargroup.in/investors/

Whistle Blower Policy & Vigil Mechanism

Your Company has established a Vigil Mechanism and has adopted a Whistle Blower Policy for directors and employees to report their genuine concerns. The Whistle Blower Policy has been formulated with a view to provide a mechanism for employees and directors to approach the Audit Committee of the Company. The said policy is available on the website of the Company at https://fivestargroup.in/investors/.

During the year under review, no complaints were received by the Company and no complaints are outstanding as on March 31, 2023.

Disclosure under POSH Act, 2013

Your Company has not received any complaints under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 during the financial year ended March 31, 2023 and there are no complaints pending as on the end of the financial year.

Subsidiary Company

Your Company does not have any subsidiary Company. However, a policy for determining material subsidiaries is hosted on the website of your Company at https://fivestargroup.in/investors/.

Web-link of policies as per SEBI (LODR), Regulations 2015

Policy for determining material subsidiaries

Policy on Related Party Transactions

Penalties

There were no penalties, strictures imposed on the Company by any statutory authority / regulatory authority, on any matter related to capital markets, during the last three years.

Fees paid to Statutory Auditors

The total fees paid/payable by the Company during the financial year ended March 31, 2023, to the Statutory Auditors (including all entities in their network) is given below:

Particulars	Amount (In lakhs)
S.R.Batliboi & Associates LLP	
Fees for audit and related services (including assurance services related to initial public offering of the Company)	411.57
Ernst & Young Associates LLP	
Fees in relation to Business Responsibility & Sustainability Reporting	18.00
Ernst & Young LLP	
Fees in relation to taxation matters	49.03
Total	**478.60**

Amounts disclosed above are excluding applicable taxes

Compliance Certificate on Corporate Governance

The certificate on compliance of corporate governance norms from M/S Sandeep & Associates a Practicing Company Secretary is enclosed to this report as Annex III.

CEO/CFO Certification

Chief Executive Officer and Chief Financial Officer have submitted a compliance certificate to the board regarding the financial statements and internal control systems as required under regulation 17(8) of SEBI (LODR) 2015 is enclosed to this report as Annex IV.

General Body Meetings

Particulars of last three Annual General Meetings and special resolutions passed are given below:

Year	Date & Time	Venue	Special Resolutions Passed
2022	September 2, 2022, at 10.30 AM	Registered Office	- Re-appointment and revision in remuneration of Mr Lakshmipathy Deenadayalan (holding DIN:01723269), Chairman & Managing Director - Offer / invitation to subscribe to Non-Convertible Debentures (NCDs) on private placement basis - Appointment of Mr Ramkumar Ramamoorthy (holding DIN: 07936844) as an Independent Director
2021	August 6, 2021, at 10.30 AM	Registered Office	- Re-appointment of Mr Anand Raghavan as Independent Director - Appointment of Mr Gaurav Trehan as Non-executive Director - Revision in remuneration of Mr D Lakshmipathy, Chairman & Managing Director of the Company - Issue and offer of upto 300,000 equity shares of Rs 10/- each on preferential basis by way of private placement
2020	August 31, 2020, at 10.30 AM	Registered Office	- Fixing of borrowing limits of the Company - Offer and Invitation to subscribe to Non-Convertible Debentures (NCDs) on private placement basis - Creation of charges on the assets of the Company - Reappointment of Mr B Haribabu as Independent Director - Appointment of Mr Sanjeev Mehra as a Non-Executive Director - Revision in remuneration of Mr D Lakshmipathy, Chairman & Managing Director of the Company

Extra-Ordinary General Meeting:

There were no Extra-Ordinary General Meetings during the financial year ended March 31, 2023.

Postal Ballot:

During the financial year ended March 31, 2023, no resolution was passed through postal ballot.

No special resolution is proposed to be conducted through postal ballot.

Means of Communication

All information that are required to be disseminated by the Company in terms of SEBI (LODR) Regulations, 2015, are uploaded on the website of the Company.

The quarterly, half-yearly and annual financial results as applicable to the Company were published in national daily newspapers and local Newspapers viz., Business Standard (English), Economic Times (English) and Makkal Kural (Regional Language). The Financial Results, annual report of the Company, and other major announcements like notices of annual general meeting are also posted on the Company's website.

Press releases and presentation made to Investors/Analysts are published to the website of the Company, simultaneously upon dissemination to BSE & NSE, Stock Exchanges.

General Shareholder Information

A separate section on the above has been included in the annual report.

For and on behalf of the Board of Directors

Lakshmipathy Deenadayalan
Chairman & Managing Director
DIN: 01723269

Place: Chennai
Date: May 09, 2023

Annex I

Declaration on Code of Conduct

This is to confirm that the Board has laid down a Code of Conduct for all board members and senior management of the Company. The Code of Conduct has also been posted on the website of the Company. It is further confirmed that all directors and senior management personnel of the Company have affirmed compliance with the Code of Conduct of the Company for the year ended March 31, 2023, as envisaged in schedule V under regulation 34(3) of the SEBI (LODR), 2015.

Place: Chennai
Date: May 09, 2023

Rangarajan Krishnan
Chief Executive Officer

Certificate from Company Secretary in Practice

(Pursuant to Regulation 34(3) read with Schedule V Para-C Sub clause (10) (i) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To
The Members
FIVE-STAR BUSINESS FINANCE LIMITED
New No. 27, Old No. 4, Taylor's Road,
Kilpauk, Chennai -600010

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of **FIVE-STAR BUSINESS FINANCE LIMITED** having CIN: U65991TN1984PLC010844 and having its registered office at New No. 27, Old No. 4, Taylor's Road, Kilpauk, Chennai -600010 (hereinafter referred to as 'the Company'), produced before us by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to us by the Company and its officers, We hereby certify that none of the Directors on the Board of the Company as stated below for the financial year ending March 31, 2023 have been debarred or disqualified from being appointed or continuing as Directors of Companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such other Statutory Authority.

Name of Director	DIN	*Date of Initial appointment in Company
Deenadayalan Lakshmipathy	01723269	21/06/2002
Anand Raghavan	00243485	28/07/2016
Ramkumar Ramamoorthy	07936844	08/06/2022
Bhama Krishnamurthy	02196839	12/04/2016
Vikram Vaidyanathan	06764019	21/08/2015
Ravi Shankar Venkataraman Ganapathy Agraharam	02604007	18/08/2017
Thiruvallur Thattai Srinivasaraghavan	00018247	25/08/2021
Thirulokchand Vasan	07679930	15/12/2016

*the date of appointment is as per the MCA Portal.

Ensuring the eligibility of for the appointment / continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For ***S Sandeep & Associates***
S Sandeep
Managing Partner
UDIN:F005853E000265167
FCS No.: 5853
C P No.: 5987
PR No: 1116/2021

Place: Chennai
Date: May 09, 2023

Certificate on compliance with the conditions of Corporate Governance

(Pursuant to Chapter IV of SEBI (Listing Obligations and Disclosure Requirements) Regulations,2015)

To
The Members
FIVE-STAR BUSINESS FINANCE LIMITED
(CIN: U65991TN1984PLC010844)

We have examined the compliance of the conditions of Corporate Governance by **FIVE-STAR BUSINESS FINANCE LIMITED** (CIN: U65991TN1984PLC010844) ("the Company"), for the financial year ended on March 31, 2023, as stipulated in Regulations 17 to 27 and other relevant provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

Management's Responsibility:

The compliance of conditions of Corporate Governance is the responsibility of the Management. The responsibility includes design, implementation and maintenance of internal control and procedures to ensure compliance with conditions of Corporate Governance as stated in Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Our Responsibility:

Our examination was limited to examining procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance as stipulated under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. It is neither an audit nor an expression of opinion on the financial statements of the Company.

Our Opinion:

In our opinion, on the basis of our examination of the relevant records produced, explanations and information furnished, we certify that the Company has complied with all mandatory regulations and the conditions of Corporate Governance as stipulated in Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, during the financial year ended March 31, 2023.

We further state that this certificate is neither an assurance as to the future viability of the Company nor of efficiency or effectiveness with which the management has conducted the affairs of the Company.

For ***S Sandeep & Associates***
S Sandeep
Company Secretary in Practice
UDIN: F005853E000265156
FCS No.: 5853
C P No.: 5987
PR No: 1116/2021

Place: Chennai
Date: May 09, 2023

Annex IV

CEO & CFO Certification

Pursuant to Regulation 17(8) of SEBI, LODR, 2015

The Board of Directors
Five-Star Business Finance Limited

This is to certify that:

1. We have reviewed financial statements and the cash flow statement for the year ended March 31, 2023, and that to the best of our knowledge and belief:
   a. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
   b. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.

3. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the audit committee, that there are no deficiencies in the design or operation of such internal controls of which we are aware.

4. We have indicated to the auditors and the Audit Committee that
   a. There are no significant changes in internal control over financial reporting during the year;
   b. There are no significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
   c. There are no instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the listed entity's internal control system over financial reporting.

Place: Chennai
Date: May 09, 2023

Rangarajan Krishnan
Chief Executive Officer

Srikanth Gopalakrishnan
Chief Financial Officer

General Shareholder Information

Incorporation date	May 7, 1984
Financial Year	April 01, 2022 to March 31, 2023
CIN	U65991TN1984PLC010844
Registered Office Address	New No. 27, Old No. 4, Taylor's Road, Kilpauk, Chennai - 600 010, Tamil Nadu, India
Company's correspondence details	Five-Star Business Finance Limited New No. 27, Old No. 4, Taylor's Road, Kilpauk, Chennai – 600 010, Tamil Nadu, India Phone: 044 46106200 | Email: secretary@fivestargroup.in Website: www.fivestargroup.in
ISIN (Equity shares)	INE128S01021

Annual General Meeting

Date and Time	Saturday, September 16, 2023 at 11:00 AM
Venue	The Annual General Meeting (AGM) will be held through video conference in compliance with the applicable guidelines and circulars issued by the Ministry of Corporate Affairs (MCA) and Securities and Exchange Board of India (SEBI).
Dividend Payment date	Not applicable as no dividend is recommended by the Board
Listing of Securities	Name and address of Stock Exchanges are as follows: BSE Limited Phiroze JeeJeebhoy Towers, Dalal street, Mumbai - 400 001 National Stock Exchange of India Limited Exchange Plaza, Floor 5, Plot C/1, Bandra-Kurla Complex, Bandra (East), Mumbai-400051 Equity shares of the Company are listed on the BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) w.e.f November 21, 2022. Non-convertible Debentures issued by the Company are listed on the Wholesale Debt Market segment of BSE.
Payment of listing fees	The Company has paid the annual listing fees to both BSE and NSE
Symbol	FIVESTAR
Scrip Code	543663
Share Transfer system	As mandated by SEBI, securities of the Company can be transferred /traded only in dematerialized form. Further, SEBI vide its circular dated January 25, 2022, mandated that all service requests for issue of duplicate certificate, claim from unclaimed suspense account, renewal/ exchange of securities certificate, endorsement, subdivision/splitting consolidation of certificate, transmission and transposition which were allowed in physical form should be processed in dematerialized form only. Shareholders holding shares in physical form are advised to avail the facility of dematerialization.
Dematerialization of shares and liquidity	As of March 31, 2023 99.77% of the Company’s shares were held in dematerialized form. The Company’s shares are regularly traded on BSE and NSE. Those shareholders who hold shares in physical mode are requested to convert their shareholding to demat mode at the earliest.

Registrar and Share Transfer Agent	Equity Shares KFin Technologies Limited (Unit: Five-Star Business Finance Limited) Selenium, Tower B, Plot No 31 and 32, Financial District, Nanakramguda, Serilingampally, Hyderabad, Rangareddi 500 032, Telangana, India Phone: 1800 309 4001| email: einward.ris@kfintech.com Debt Securities NSDL Database Management Limited 4th Floor, Trade World, 'A' Wing, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400013 Phone: 022 4914 2597 | email: sachin.shinde@nsdl.co.in
Debenture Trustees	Catalyst Trusteeship Limited GDA House, Plot No. 85, Bhusari Colony (Right), Paud Road, Pune – 411 038 Tel: +91 (020) 25280081 | email: dt@ctltrustee.com Website: www.catalysttrustee.com
Outstanding Global Depository Receipts (GDRs) / American Depository Receipts (ADRs) / Warrants or any Convertible Instruments, Conversion date and likely impact on equity	The Company has not issued any GDRs/ADRs/Warrants or any Convertible Instruments.
Commodity price risk or foreign exchange risk and hedging activities	Your Company does not deal in any commodity and hence is not directly exposed to any commodity price risk. Further, the Company has availed External Commercial Borrowings (ECBs) during the financial year ended March 31, 2022, and so has entered into derivative transactions with various counter parties to hedge its foreign exchange risks and interest rate risks associated thereon. The ECBs are fully hedged and do not possess any foreign exchange risk.
Locations / Offices	The Company's registered office is in Chennai, and it operates out of 373 branches across the country.
Address for Correspondence	KFIN Technologies Limited Selenium, Tower B, Plot No- 31 and 32, Financial District, Nanakramguda, Serilingampally, Hyderabad, Rangareddi 500 032, Telangana, India Phone: 040 67162222 | email: einward.ris@kfintech.com Company Secretary & Compliance officer Five-Star Business Finance Limited New No.27, Old No. 4, Taylor's Road, Kilpauk, Chennai – 600 010 Ph: 044 46106200 www.fivestargroup.in | cs@fivestargroup.in
Contact details of the designated official for assisting and handling investor grievances	Ms Shalini Baskaran Company Secretary and Compliance Officer Phone: 044 46106260 Email: shalini@fivestargroup.in |cs@fivestargroup.in

Stock Price Data

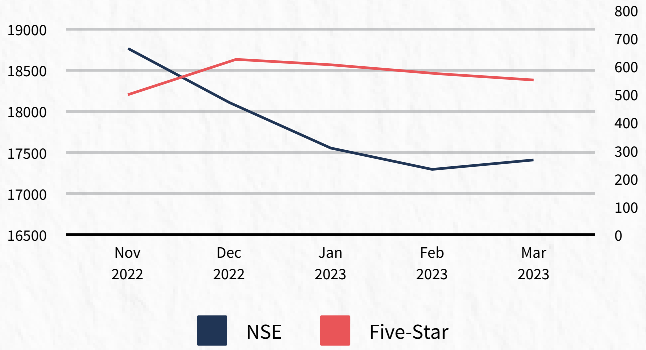
The reported high and low closing prices and volume of equity shares of the Company traded on NSE and BSE during the period under review (November 21, 2022, being the date of listing to March 31, 2023) are set out in the table below:

Period#	NSE High INR	NSE Low INR	NSE Volume	BSE High INR	BSE Low INR	BSE Volume
Nov-22	543.60	448.20	1,72,66,854	539.90	448.20	8,91,219
Dec-22	687.70	508.75	1,14,29,556	687.25	508.20	9,32,603
Jan-23	659.90	577.00	28,31,199	659.70	577.45	2,38,112
Feb-23	621.85	522.95	22,21,961	621.95	521.35	3,98,103
Mar-23	574.85	496.10	11,10,661	574.15	494.00	1,20,670

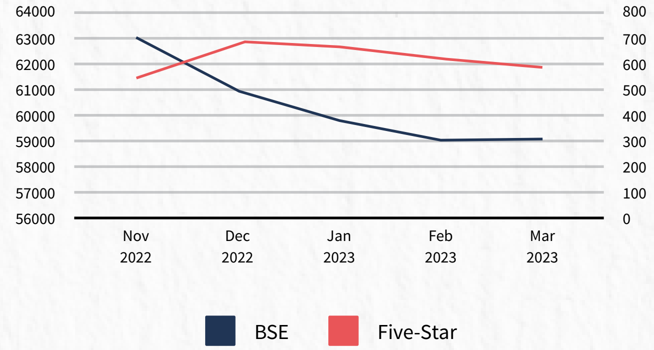
#Equity Shares of the Company was listed on November 21, 2022.

Performance in comparison to broad-based indices such as BSE Sensex and NSE Nifty

NSE NIFTY



BSE Sensex



Distribution of Shareholding:

S. No.	Category (Shares)	No. of holders	% of holders	No. of shares	% of shares
1	1 - 5000	26,427	98.40	4,774,931	1.64
2	5001 - 10000	162	0.60	1,192,329	0.41
3	10001 - 20000	94	0.35	1,379,824	0.47
4	20001 - 30000	23	0.09	590,320	0.20
5	30001 - 40000	21	0.08	750,228	0.26
6	40001 - 50000	12	0.04	547,394	0.19
7	50001 - 100000	35	0.13	2,515,991	0.86
8	100001 and above	83	0.31	279,615,103	95.97
	Total	**26,857**	**100.00**	**291,366,120**	**100.00**

Shareholding pattern as on March 31, 2023:

S. No.	Category	Total Shares	% Equity
1	Promoters	51,781,278	17.77
2	Foreign Promoter Bodies Corporates	46,992,150	16.13
3	Foreign Corporate Bodies	127,526,328	43.77
4	Foreign Portfolio – Corp	20,328,598	6.98
5	Resident Individuals	15,478,530	5.31
6	Alternative Investment Fund	8,293,736	2.85
7	Bodies Corporates	7,041,739	2.42
8	Mutual Funds	3,043,645	1.04
9	Insurance Companies	3,368,869	1.16
10	Key Managerial Personnel	3,060,867	1.05
11	Promoter Group	2,827,250	0.97
12	Non-Resident Indians	843,889	0.29
13	IEPF	596,800	0.20
14	H U F	172,141	0.06
15	Clearing Members	8,574	0.00
16	Trusts	1,726	0.00
	Total	**291,366,120**	**100.00**

Credit Ratings as on March 31, 2023

Rating Agency	Rating Agency	Rating
ICRA	Bank Facilities Non-Convertible Debentures Market Linked Debentures (MLD) Securitization	ICRA AA-; Stable ICRA AA-; Stable PP-MLD ICRA AAA(CE); Stable /PP-MLD ICRA AA-; Stable ICRA AAA(SO)/AA+(SO)/AA(SO)
India Ratings & Research	Bank Facilities Non-Convertible Debentures	IND AA- / Stable IND AA- / Stable
CARE	Long term Bank Facilities Long term/Short term Bank facilities Non-Convertible Debentures Market Linked Debentures (MLD) Commercial Paper	CARE A+; Stable CARE A+; Stable / CARE A1+ CARE A+; Stable CARE PP-MLD A+; Stable CARE A1+
CRISIL	DA under PCG Scheme of GoI	CRISIL AA (SO) / AA- (SO)

Transfer of Unpaid/Unclaimed Dividend to Investor Education and Protection Fund (IEPF)

Pursuant to Sections 124 and 125 of the Companies Act, 2013, read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, the dividend amounts which has not been paid or claimed for seven consecutive years or more shall be transferred by the Company in the name of Investor Education and Protection Fund (IEPF).

In respect of unclaimed dividends, the Company sends periodical reminders to the shareholders before transferring the unclaimed dividends to the IEPF established by the central government. The dividends that are lying unclaimed / unpaid with the Company for a period of seven consecutive years are transferred from time to time to IEPF. The list of unclaimed dividends along with the name of the shareholders have been uploaded on the website of the Company.

Transfer of Equity Shares to IEPF

Pursuant to Sections 124 and 125 of the Companies Act, 2013, read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, the underlying shares of all dividends which remain unpaid/unclaimed for a period of seven consecutive years be transferred to Investor Education and Protection Fund (IEPF). As required under the said rules, the Company had published a notice in the newspapers inviting the shareholders attention to the aforesaid rules. The Company had also sent out individual communication to the concerned shareholders whose shares are liable to be transferred to IEPF Account, pursuant to the said rules and also displayed the details have been uploaded on the website of the Company.

Unclaimed Suspense Account

As on March 31, 2023, the Company does not have any equity shares lying in the unclaimed suspense account.

Means of Communication:

Your Company focuses on prompt, continuous and efficient communication to all its stakeholders. The Company has provided adequate and timely information to its member's inter-alia through the following means:

i. Financial Results: The quarterly, half yearly and annual financial results of the Company are published in the leading newspapers viz Economic Times, Business Standard (English), Makkal Kural (Tamil) and Business Remedies (Hindi) and are also posted on the Company's Website (www.fivestargroup.in).
ii. Website: In compliance with Regulation 46 and 62 of the SEBI LODR Regulations, the Company has maintained a separate section i.e. 'Investor Relations' on the Company's website providing all the announcements made by the Company, annual reports, result and policies of the Company.
iii. Investors/ Analyst Meets: The Company conducts Calls/Meetings with investors immediately after declaration of financial results to brief them on the performance of the Company. The Company also conducts one on one call and Meeting with investors.
iv. Presentations to institutional investors/ analysts: Detailed presentations are made to institutional investors and financial analysts on the Company's quarterly, half-yearly as well as annual financial results and sent to the Stock Exchanges. These presentations, audio recordings and transcript of Meetings are available on the website of the Company.
v. Annual Report: The Annual Report containing, inter alia, Audited Financial Statements, Board's Report, Auditors' Report and other important information is circulated to the members and others entitled thereto through applicable modes. The Management Discussion and Analysis Report forms part of the Annual Report. The Annual Report is also available in downloadable form on the website of the Company.
vi. NEAPS and NSE Digital Exchange: NEAPS and NSE Digital Exchange are web based applications designed by NSE for corporates. All periodical and other compliance filings are filed electronically filed on these portals.
vii. BSE Listing Centre (Listing Centre): Listing Centre is a web-based application designed by BSE for corporates. All periodical and other compliance filings are filed electronically on the Listing Centre.
viii. SEBI Complaints Redressal System (SCORES): A centralized web-based complaints redressal system which serves as a centralized database of all complaints received, enables uploading of Action Taken Reports by the Company and online viewing by the investors of actions taken on the complaint and its current status.

Details of non-acceptance of any recommendation of any committee of the board which is mandatorily required:

During the year under review, there were no such recommendations made by any Committee of the Board that were mandatorily required and not accepted by the Board.

Loans and advances in the nature of loans to firms/companies in which directors are interested by name and amount:

There are no loans and advances in the nature of loans to firms/companies in which directors are interested.

Details of utilization of funds raised through preferential allotment or qualified institutions placement as specified under Regulation 32 (7A)

During the year under review, the Company has not raised funds through preferential allotment or qualified institutions placement as specified under 32 (7A) of the SEBI (LODR) Regulations, 2015.

Compliance with Corporate Governance Norms

The Company has complied with all the mandatory requirements of Corporate Governance as specified in regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Pursuant to regulation 27(1) of SEBI (LODR), 2015, the Company has also adopted the following discretionary requirements:

- Modified opinion(s) in audit report: Your Company confirms that its financial statements have unmodified audit opinions.
- Reporting of internal auditor: The Internal Auditor of the Company reports directly to the Audit Committee.

Online Services provided by the Registrar and Share Transfer Agent

The shareholders can reach out to the Registrar and Share Transfer Agent, Kfin Technologies Limited, through the modes given below.

Particulars	Information
Email ID	einward.ris@kfintech.com
Toll Free	1800 309 4001
WhatsApp Number	(91) 910 009 4099
Investor Support Centre (Investors can use a host of services like post a query, raise a service request, track the status of their DEMAT and REMAT request, Dividend status, interest and redemption status, upload exemption forms (TDS), download all ISR and other related forms)	https://ris.kfintech.com/clientservices/isc
E-sign facility (Common and simplified norms for processing investor's service requests by RTAs and norms for furnishing PAN, KYC details and Nomination)	https://ris.kfintech.com/clientservices/isr/isr1.aspx?mode=f3Y5zP9DDNI%3d
KYC Status (Shareholders can access the KYC status of their folio)	https://ris.kfintech.com/clientservices/isc/kycqry.aspx
KPRISM: A mobile application as well as a webpage which allows users to access folio details , interest and dividend status, FAQs, ISR Forms and full suite of other investor services	https://kprism.kfintech.com/signin.aspx
KFIN Corporate Website Link	https://www.kfintech.com
Corporate Registry (RIS) Website Link	https://ris.kfintech.com

For and on behalf of the Board of Directors

Lakshmipathy Deenadayalan

Chairman & Managing Director

DIN: 01723269

Place: Chennai

Date: May 09, 2023

Management Discussion and Analysis

Management Discussion and Analysis

1. Macro-Economic Overview

Financial year 2023 is the first fully normalised year post COVID – FY2021 and FY2022 were beset by the first and second waves of COVID and much was done during these 2 years across the world by the governments and the central banks to help revive the economy from the onslaught of COVID.

FY2023 faced a very different problem in the form of increased inflation and interest rates. The Reserve Bank of India, in its Financial Stability Report issued in December 2022 observed, *"Since the June 2022 issue of the Financial Stability Report (FSR), the global economic outlook has deteriorated further. Risks to financial stability have become accentuated as central banks have aggressively front-loaded monetary policy tightening synchronously across countries and have given hawkish forward guidance. International organisations, including the International Monetary Fund (IMF), the World Bank (WB) and the Organisation for Economic Co-operation and Development (OECD) have downgraded their global growth projections relative to their previous revisions".*

If COVID and stunted growth were the problems plaguing the world in FY2021 and FY2022, it was inflation in FY2023. Countries across the world started increasing their rates from March 2022. The Federal Reserve raised its interest rate from 0.25% around the mid of March 2022, all the way up to 5.00% in March 2023, a whopping 475 bps increase in one financial year, and probably the biggest increase during 1 financial year ever RBI increased the repo rate from 4.00% at the beginning of the financial year to 6.50% by the end of the financial year.

In the recent Monetary Policy, the Reserve Bank has stated that the CPI inflation projected to average 5.2 per cent in 2023-24 – 5.1 per cent in Q1:2023-24, 5.4 per cent in Q2 and Q3, and 5.2 per cent in Q4, with risks evenly balanced. However, the Central bank has also cautioned that *"The baseline forecasts are subject to several upside and downside risks, given the volatile global environment and the cross-country experience with large deviations of inflation from forecasts. Upside risks emanate from possible escalation of geopolitical conflicts, higher global crude and commodity prices, accentuation of global financial market volatility amidst high inflation and financial stability concerns, renewed supply chain disruptions, extreme weather conditions and deficient monsoon, and a larger pass-through of input cost pressures to output prices as demand strengthens. Downside risks could stem from an early resolution of geopolitical tensions, correction in global crude and commodity prices due to slowing global demand, and further improvement in supply conditions."*

1.1. Outlook for Growth

From a global perspective, there remains a concern on the growth projection for FY2024, given the pronounced slowdown being witnessed in advanced economies. The World Economic Outlook report put up by the International Monetary Fund presents a not so rosy picture for the global growth. It states *"The baseline forecast is for growth to fall from 3.4 percent in 2022 to 2.8 percent in 2023, before settling at 3.0 percent in 2024. Advanced economies are expected to see an especially pronounced growth slowdown, from 2.7 percent in 2022 to 1.3 percent in 2023. In a plausible alternative scenario with further financial sector stress, global growth declines to about 2.5 percent in 2023 with advanced economy growth falling below 1 percent. Global headline inflation in the baseline is set to fall from 8.7 percent in 2022 to 7.0 percent in 2023 on the back of lower commodity prices but underlying (core) inflation is likely to decline more slowly. Inflation's return to target is unlikely before 2025 in most cases".*

However, India seems to be in a much better position showing much more resilience as compared to the advanced economies. RBI commentary also provides a reasonably positive picture on projected domestic growth. Their commentary states, *"Domestic economic activity remains resilient, on the back of consecutive years of strong agricultural production, a post-pandemic rebound in contact-intensive services, buoyant growth in bank credit, a healthy banking and financial system and the government's capex push. Slowing global growth, geopolitical tensions, upsurge in financial market volatility and tightening global financial conditions, however, weigh heavily on the outlook…. Taking into account the baseline assumptions, survey indicators and model forecasts, real GDP growth is expected at 6.5 per cent in 2023-24 – 7.8 per cent in Q1; 6.2 per cent in Q2; 6.1 per cent in Q3; and 5.9 per cent in Q4 – with risks evenly balanced around this baseline path. For 2024-25, assuming a normal monsoon and no major exogenous or policy shocks, the structural model estimates indicate real GDP growth at 6.5 per cent, with quarterly growth rates in the range of 5.5-7.0 per cent."*

So both the global and domestic economies are at a very uncertain, yet interesting phase and the next few quarters will actually determine the direction that these economies would take, which eventually will have an impact on the various sectors at large.

2. Industry Overview & Operating Environment

After 2 years of muted growth, bank credit saw double digit growth in FY2023. According to RBI Monetary Policy report, growth in non-food bank credit accelerated to 15.4 per cent (y-o-y) as at end-March 2023 from 9.7 per cent a year ago. The growth in bank credit shows a rebound in economic activity during the year under review. As of February 2023, bank credit to NBFCs rose y-o-y to 32.4%, which signifies that NBFCs have been one of the major recipients of bank credit during the financial year. The signifies the strong performance of NBFCs during the year and their ability to grow in a strong and safe manner in the years to come.

During the year under review, the portfolio performance of the NBFCs has also improved considerably across asset classes. An ICRA press release dated February 9, 2023, notes that, *"The collection efficiency for non-banking financial companies (NBFC)s and housing finance companies (HFC)s has been healthy in the range of 97% to 105% in 9M FY2023, as per an analysis done on ICRA-rated retail pools securitised by NBFCs and HFCs. This was supported by improved economic activity, a favourable operating environment and non-banks (i.e NBFCs and HFCs) returning to normalcy after two years of interrupted operations during the pandemic. The collection efficiency is expected to remain robust on the back of strong outlook for majority of the sectors though impact of the uncertain global environment is difficult to ascertain at present."* ICRA further expects the collections across retail-pools to remain steady over the near to medium term should there be no material macro or business-related disruptions.

From a regulatory perspective, a number of new norms stipulated by the Reserve Bank of India became effective for implementation during the financial year under review.

a. The Scale based Regulations, which essentially classifies NBFCs into multiple layers along with focused regulation based on the layer under which NBFCs fall, became effective from October 1, 2022. With these regulations coming into effect, lot of regulatory arbitrage that existed for NBFCs were removed for the NBFCs falling in the upper and middle layers.
b. Another important circular that became effective from October 1, 2022 pertained to the daily SMA and NPA recognition norms and the resultant upgradation norms under the Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances (IRACP). This fundamentally impacted the way NBFCs were focused on collections – while in the past, it was agreeable if the borrowers made their EMI payments before the end of the month, NBFCs started to educate the borrowers and fine-tune their collections system to make the borrowers pay up their EMIs on or before the due date, failing which they would be categorised as NPAs and can be upgraded only upon payment of all the arrear dues.

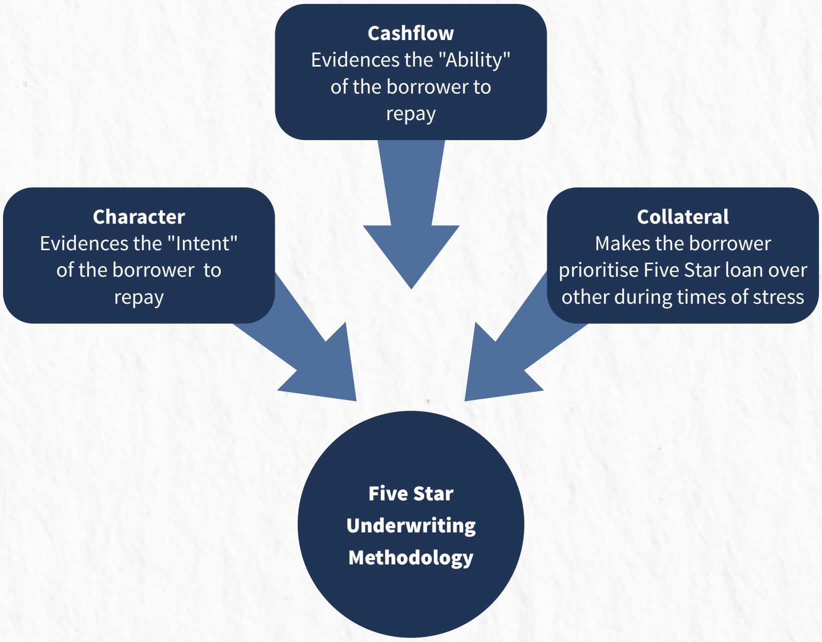
These regulatory pronouncements changed the way of functioning at NBFCs in a significant way and remove the regulatory arbitrage that existed between banks and NBFCs.

3. Five Star - An Overview

Five Star is registered with RBI as a non-deposit taking systemically important NBFC. The Company is in the business of providing Secured Financial Solutions to Micro Entrepreneurs and Self-employed individuals who are largely ignored by the formal financial ecosystem. With experience of operating in this borrower segment for the last 20+ years, the Company has developed a unique underwriting model, which is capable of evaluating the credit-worthiness of such borrowers. The Company provides only secured loans which ensures robust asset quality, even during difficult times. The Company operates in 373 branches across 8 states and 1 union territory and has a borrower base of close to 3 lakhs as on March 31, 2023.

Unique Underwriting Approach

As many borrowers graduate from the unorganised system and do not have documentary proofs of their incomes, traditional underwriting methodologies would be ineffective, and it becomes essential to tailor an underwriting approach that would help the Company understand their cashflows. Towards this, Five Star has built an unique underwriting methodology underpinned on 3 Cs – Character, Cashflow and Collateral, which has helped the Company build a strong and profitable loan portfolio over the last many years.



As much as it is important to evaluate the ability of the borrower to repay, it is equally, if not more important to establish the intent of the borrower to repay. Absence of intent would mean future complications, legal or otherwise, to effect repayment on the loan. Hence Five Star accords maximum importance to the intent of the borrower, which is evaluated through Neighbourhood checks, Trade checks, Credit Bureau report analysis, etc. Good amount of time is spent by multiple teams to understand and establish the intent of the borrower.

Understanding and evaluating the cashflows in the absence of documentary evidence poses a unique challenge. However, Five Star's experience of operating in this segment over the last couple of decades gives it a significant edge in terms of understanding the borrower cashflows. Evidence is looked at to justify the cashflows – the evidence could be the lifestyle and living conditions of the borrower or the assets that the borrower has created for himself / herself and his / her family. Through thorough checks of the borrower's workplace, his / her residence, lifestyle, etc, the Company is able to arrive at a plausible cashflow which will stand support to the loan repayment.

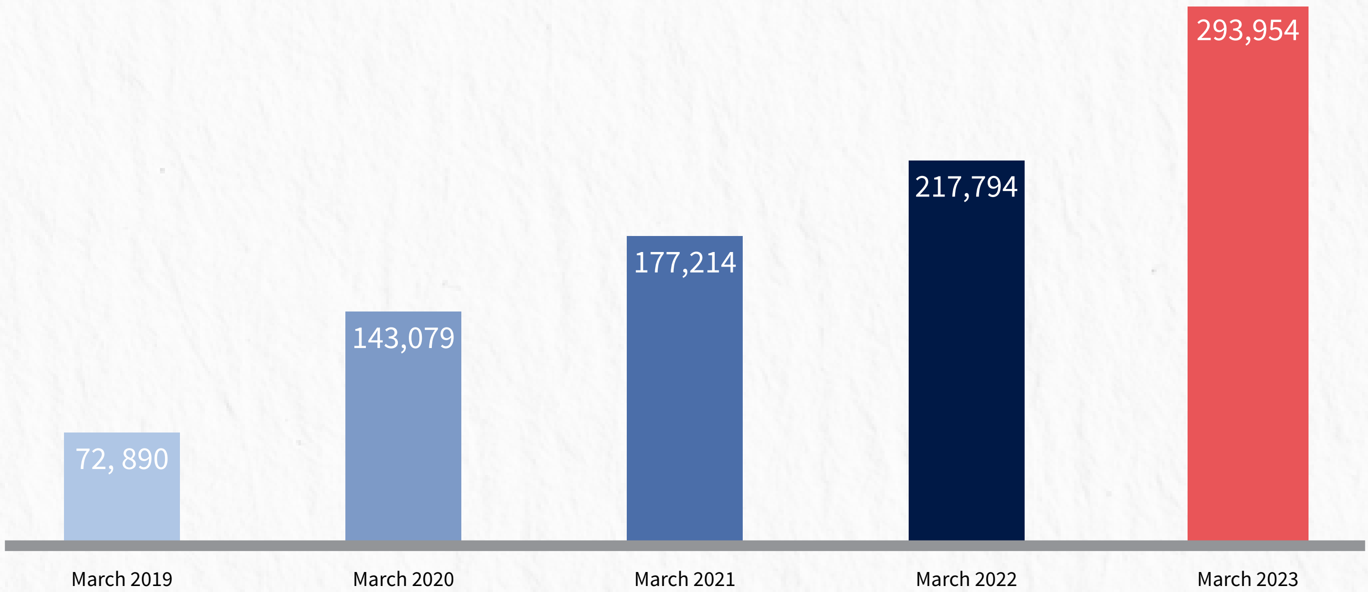
In addition to understanding the cashflow of the customer, the Company also secures its loan by taking a hard collateral as security for the loan. The self-occupied residential property of the borrower serves as the collateral in about 95% of the loans, with the balance having non-SORP as collateral. But none of the loans are unsecured, which will ensure that the borrower prioritises the repayment on his / her Five Star loan over the other loans.

With this underwriting methodology, the Company ensures through its sound business model that the loans are underwritten on the basis of the cash flows of the borrowers which is the primary security and also backed up by the hard collateral as the additional security. This has effectively ensured a low percentage of NPA on the portfolio of business as reflected in the financial statements.

Business Growth

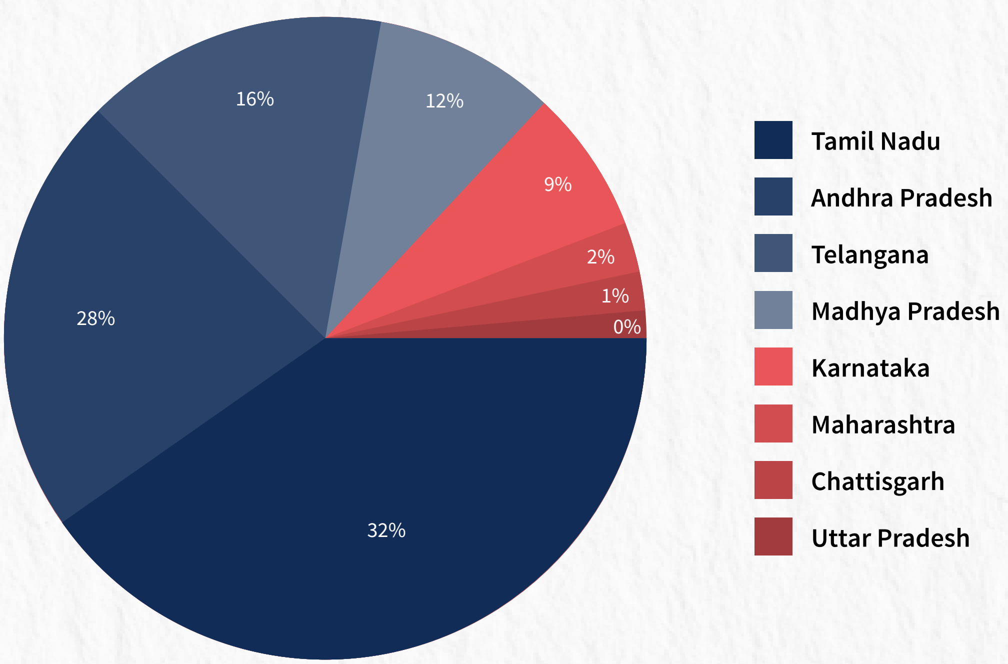
During the 5 years prior to COVID, Five Star was going through a high growth phase with the portfolio exhibiting a CAGR close to 100% between financial years FY2015 and FY2020. The portfolio grew from a little over 130 Crores in FY2015 and almost touched 4,000 Crores in FY2020, before COVID hit the entire world. During the 2 years subsequent to this, the Company focused on collections, given the significantly uncertain times – this period also saw macro-economic shocks, regulatory changes affecting NBFCs along with the first and second waves of COVID. So the growth during this period was muted and the Company recorded growth rates of about 14% in each of these years.

However, with COVID clouds largely settled, Five Star is back to the growth phase during FY2023 clocking about 37% portfolio growth during the year under review. As always, this growth has been led by an expansion in the number of branches and increased borrower base, rather than being led by an increase in average ticket size.

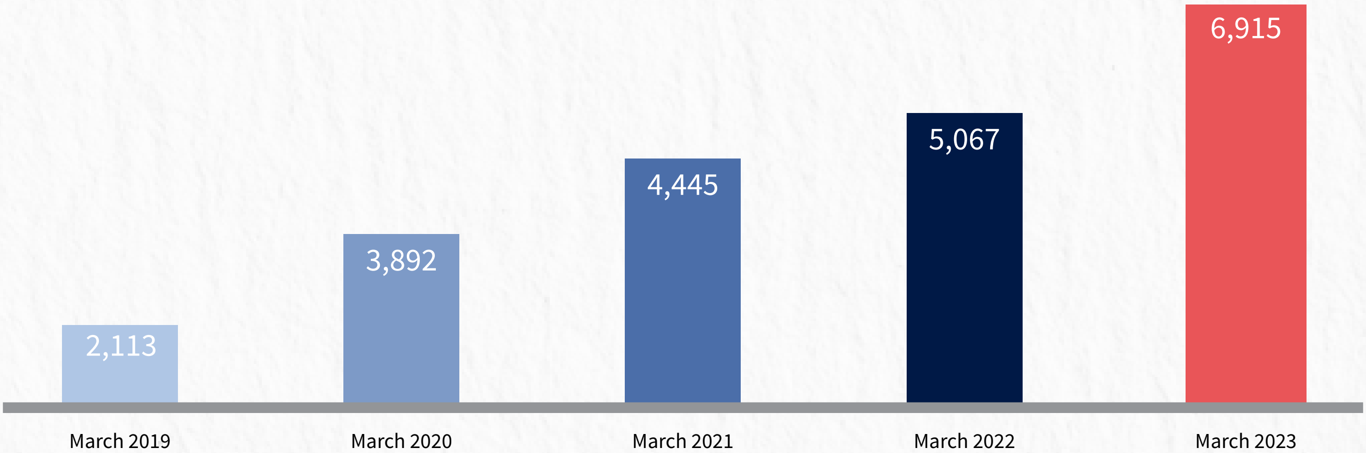


Number of Loans

During the year, the Company also opened 73 new branches taking the total to 373 branches as of March 31, 2023. While the Company in the past has demonstrated its ability to open about 50 branches on a yearly basis, the number of branches opened during the current year was higher given some pent-up demand during the COVID period. Branch additions are the first indicator of increased demand and given that the Company had added sizeable branches during this year, it will pave the way for a good portfolio growth in the forthcoming financial year. The state-wise split of branches as of March 2023 is given below.



The combined effect of increased loans and increased branch infrastructure resulted in a strong portfolio growth at around 37% for the year under review.



AUM

With the borrowers going through some stress in cashflows during COVID, the Company had consciously reduced its average ticket size on fresh disbursals. However, during the year under review, the borrower cashflows have started showing signs of good improvement showing them rebounding from that stress. The Company also increased its ticket size on fresh disbursals during the later part of the year. Such increase is important since borrower businesses were also rebounding and the need of the borrowers was getting back to pre-COVID levels. However, the outstanding per loan has not increased during the current year and stayed around the same level of 2.35 lakhs even in FY2023. As the ticket size on fresh disbursals keeps increasing, we will also see increase in outstanding per loan, but this is still much lesser than other industry players which helps Five Star from a risk perspective as well.

Collections & Asset Quality

One of the fundamental tenets of the Company is to prioritise collections over incremental business. The ability to maintain strong collections efficiency and robust asset quality even during difficult times is a distinguishing facet of the Company. Towards this, the Company has always held the sourcing officer responsible for the collections also on the loans sourced by him / her. The incentives for the Field Officers and other branch staff have been structured in such a manner to ensure that they perform in an exemplary manner both on business and collections.

However, the Company also understands that the same officer being involved in both business and collections forever impairs his / her ability to onboard new business. At the same time, completely delineating business and collections brings its own set of challenges like complete loss of accountability etc. Towards this, the Company has created a collections vertical at each of the branches with necessary supervisory support and accounts with certain vintage shall move into the collections team, which will free up the time for business team to onboard new business.

The Collections vertical has been piloted in 2 states thus far and we are already seeing the results in terms of better collection efficiency and much improved portfolio bucketing. We will continue to put up collections vertical in the other states as well in the quarters to come.

The Company had also restructured a small portion of its portfolio as part of the COVID second wave and it is heartening to note that the restructured book is performing well, with about 91% of the portfolio remaining in the Standard category, 18 months after the moratorium period given as part of the restructuring package ended.

The table below gives the stage-wise details of loan portfolio and improvements can be seen in Stage 2, not just in percentage terms but also in terms of absolute quantum.

Stage	As of March 31, 2023		As of March 31, 2022	
	Amount in INR lakhs	% of AUM	Amount in INR lakhs	% of AUM
Stage 1	618,839.65	89.49%	421,696.36	83.22%
Stage 2	63,249.71	9.15%	79,706.41	15.73%
Stage 3	9,393.85	1.36%	5,305.00	1.05%
Total	**691,483.21**	**100%**	**506,707.77**	**100%**

During the year (in the second half of the year), revised IRAC norms on upgradation of accounts from NPA to Standard became effective from October 1, 2022, and the Company undertook the following measures bring down potential slippages into NPA:

a. Educating borrowers and staff on the need for due date payment discipline, rather than paying any time during the month (which was a historical behavioural trait of the borrowers).

b. Reduce the stock in the 61-90 DPD bucket which has the highest potential of slipping into NPA, if payment is not made on the due date.

Increase provision coverage on Stage 3 assets, with a clear intent to bring down the net NPA.

Hence, despite the revised norms coming into effect, the Company has seen very minimal incremental slippages into NPA and the NPA was contained at 1.36%, which is still one of the best in the industry.

4. Operational & Financial Metrics

4.1. Branches: The number of branches as at the end of March 2023 was at 373 as against 300 as at March 2022.

4.2. Portfolio growth: Five Star's Consolidated AUM increased from INR 5,067 Cr in FY2022 to INR 6,915 Cr in FY 2023[1], which translates to a growth of about 37% for the year.

4.3.Loan disbursals: During the year, the Company disbursed an amount of about INR 3,391 Crores as against INR 1,756 Crores in the previous year, recording a growth of 93% for the year under review.

4.4. Asset quality: For the financial year ended 31st March 2023, the Company achieved a Gross Stage 3 assets / NPA of 1.36%, as against 1.05% in the previous year. This is despite the fact that the Company had moved into the revised IRAC norms from October 1, 2022. If the same yardstick as the previous year would have been used, the Company would have achieved Gross Stage 3 assets of 1.04% as of March 31, 2023.

4.5. Capitalisation: During the year ended March 31, 2023, the shares of the Company were listed on the National Stock Exchange and Bombay Stock Exchange. The IPO was a complete offer for sale with the existing shareholders tendering a portion of their shares for sale. The amount of shares sold as part of the IPO amounted to INR 1,588.51 Crores and the shares were sold by TPG Asia VII SF Pte. Ltd, Matrix Partners India Investment Holdings II LLC, Matrix Partners India Investments II Extension LLC, SCI Investments V and Norwest Venture Partners X - Mauritius, as named in the prospectus as the selling shareholders. No fresh shares were issued as part of the IPO process, given the very healthy capitalization profile of the Company. Marquee investors participated in the IPO, both as part of the anchor book and main book, and the share price of the Company continues to remain above the listing price even as on March 31, 2023.

4.6. Profitability: The Company continues to remain very profitable and the full year Profit After Tax for the period ended March 31, 2023 was INR 603 Crores as against INR 453 Crores for the financial year ended March 31, 2022.

Some of the operational and financial highlights are given below.

Parameter	FY 2023	FY 2022	Growth
Assets under Management (INR Cr)	6,914.83	5,067.08	36.47%
Amount disbursed (INR Cr)	3,391.44	1,756.24	93.11%
Branches (#)	373	300	24.33%
Number of customers	293,954	217,794	34.97%
Number of employees	7,347	5,675	29.46%
Profit after Tax (INR Cr)	603.50	453.54	33.06%

[1]AUM is without netting off the ECL

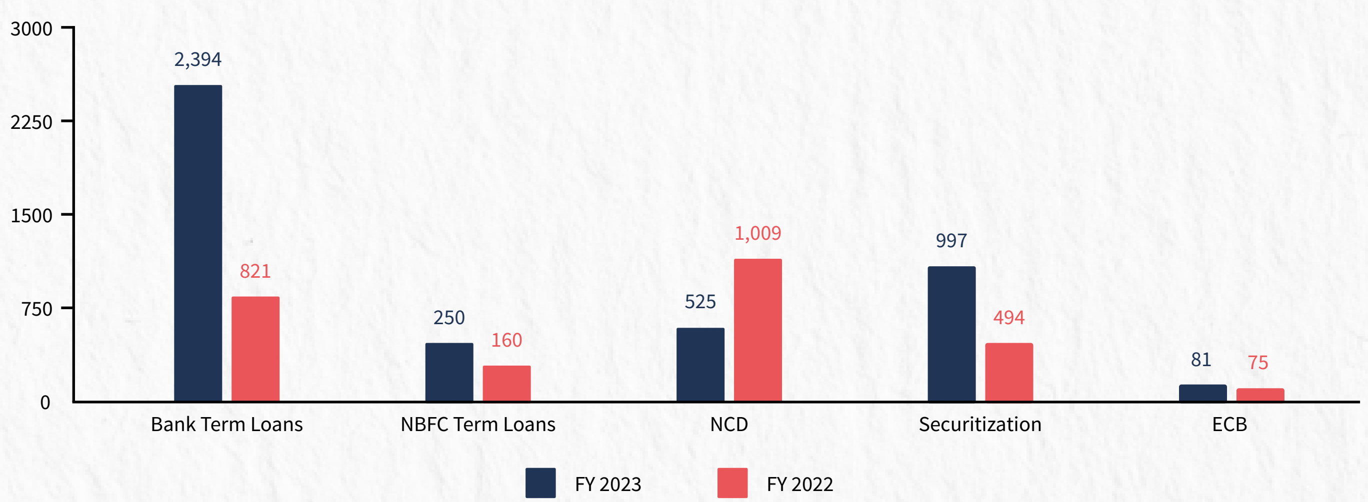
5. Strengthening Liability Profile

Given the strong capital profile of the Company and the fact that fresh capital infusion was made almost every year over the last few years, the Company was not required to raise a high quantum of incremental debt anytime during the past. While the Company had demonstrated its ability to borrow good quantum of incremental debt even during years of stress viz. year of demonetisation, year in which large NBFCs went down leading to heavy unavailability of debt for the NBFC sector, years of COVID 1 and 2, the quantum of debt borrowed was still not very high during those years. For the first time during the current year, Five Star has borrowed 3,103.56 Crores of fresh debt in a single year.

During the financial year under review, your Company has availed fresh borrowings aggregating to INR 3,103.56 Crores, including fresh Term Loans from Banks and Financial Institutions of INR 2,245.00 Crores. The outstanding Total Borrowings as of March 31, 2023 were INR 4,247.28 Crores. During the year, the Company also onboarded new lender such as Indian Bank, Bank of Maharashtra, HSBC and DBS bank.

The Company has borrowed moneys through term loans from banks and financial institutions, cash credit lines from banks, issued non-convertible debentures, issued pass-through certificates as part of Securitisation transactions and also availed one tranche of non-rupee denominated borrowing through the ECB route. So, the debt profile of the Company is well diversified both from the perspectives of type of lenders as well as the structure of debt.

Structure-wise debt outstanding is given in the graph below:



Leverage: Given the healthy capital profile, the Company has been operating at a low leverage and low D/E ratio. During the year, the D/E ratio is reached 0.98x and it would be the endeavor of the Company to touch optimal D/E ratio levels in the years to come.

6. Asset-Liability Management:

Asset-Liability Management (ALM) is a very crucial requirement for the success of any NBFC but one that is probably given much less importance than what it deserves. Whenever there is a price arbitrage between long-term and short-term borrowing, institutions tend to prefer short-term gains. Large banking corporations in the recent past have crumbled, primarily due to their failure to have a healthy ALM position. However, Five Star has always been following a conservative ALM and liquidity policy, which has helped the Company manage all turbulence that has faced over the last many years. The Company has never resorted to short-term borrowing of significant quantum given that it lends for up to 7 years. The liquidity policy defines a minimum liquid balance to be maintained on a monthly basis which will effectively take care of all obligations and other fund requirements over the next 3 months. Despite the negative carry that such high quantum of liquidity may entail, the Company prefers to choose safety over profitability.

The Liquidity coverage ratio, which is a measure of the next 30 days liquidity position, is also maintain at a very conservative level. The LCR as of March 31, 2023 was 302%. To maintain High-Quality Liquid assets (HQLA) to manage its LCR, the Company has been investing in Government Securities and Treasury Bills, which qualify as HQLA for the purpose of LCR computations.

The Company continues to maintain positive cumulative ALM across all buckets, which would help weather any kind of shocks that may come about. As has been seen in the past, even during extremely stressful periods from a liquidity perspective, the Company has been able to manage all its outflows without resorting to any kind of concessions from its lenders.

7. Human Resources:

Amongst all the capital in this world, human capital is always the strongest and most enduring. A person who feels appreciated will always do more than what is expected. From that perspective, amongst the four factors of production, employees (labour) assume maximum importance. Without them, the other factors viz. land, capital and entrepreneurship can be of no avail.

At Five Star, employees are the fulcrum around which every other factor revolves. No decision is taken without keeping the interests of employees in mind. The welfare of employees is at the heart of all decisions right across hiring, training, retention, performance appraisal and rewards and recognitions. The Company had employed 7,347 employees as of March 31, 2023 as against 5,675 employees as of March 31, 2022.

The Company prides itself upon the fact that such a large number of people have been provided employment opportunities, more so in the local areas where they live. The fact that employees get to stay with their family, earning a good salary to take good care of their families makes them feel a kinship with the organisation. The Company has tailored the right incentive schemes to reward the high-performers and keep their morale high. In addition, more than 300 people at the field level (non-HO staff) have been given stock options wherein they will get to become owners of the Company at a later point of time. All these have ensured that employees feel a sense of belongingness with the Company and tend to give their best for the mutual benefit of themselves and the Company.

The field execution team is led by a strong Management team consisting of professionals with years of experience in the fields of banking and financial services and who bring their rich expertise to lead their respective functions. There are 21 professionals heading their respective functions across the various verticals. It is also heartening to note that a number of these professionals have been associated with the Company for many years. During the financial year ended March 31, 2023, the Company has inducted people for positions of Chief Audit Officer and Chief Legal Officer. In this manner, the Company shall keep making the necessary hires at the right time to ensure that the right people are at the helm of each function and are able to provide necessary oversight.

8. Technology:

Technology has become a significant business driver in the last few years. The Company has strategic investments in our information technology systems and implemented automated, digitized technology-enabled platforms and proprietary tools, to strengthen its offerings and derive greater operational, cost and management efficiencies. Our focus on technology has been and shall be made towards the following areas:

A. Developing an Application Programming Interface (“API”) infrastructure to leverage the strength of various third party service providers / fintech companies and aim to partner with them to augment / create more efficient processes;
B. Improving accuracy and breadth of customer data capture across our portfolio for purposes of analytics and insight generation;
C. Use data, analytics and machine learning to complement our current underwriting processes to ensure we onboard the most suitable borrowers and maintain a robust asset quality;
D. Developing a robust customer credit scoring model;
E. Automation of existing manual activities within our underwriting process to reduce turnaround times for loan sanctions and reduce transaction costs; and
F. Supplementing our collections infrastructure by leveraging existing payment architecture towards collecting EMI repayments from our borrowers

Towards this, the Company has built a strong technology team headed by a Chief Technology Officer. We also have senior professionals heading the areas of Analytics and Data Science.

Safety and Privacy of customer data is taken very at Five Star and towards this, the Company has put strong technology infrastructure, which is completely cloud-based with adequate levels of safety. Annual Information Security audit is also undertaken by an independent firm and the findings / observations are taken very seriously and remediation measures are given utmost importance.

The Company believes that the adoption of such digital service delivery mechanisms has and will continue to enable us to be more efficient, customer friendly and over time improve cost efficiencies through automation, and perform more reliable data analytics for customized products to suit the diverse requirements of our customers and improved customer satisfaction.

The Company has also tied up with the following service providers to use their applications as against the current ones, which we believe will give us a significant edge towards enhancing our technology stack in the years to come.

a. Salesforce for Customer acquisition and Loan origination
b. Oracle for General Ledger and Financial Reporting
c. Darwinbox for HRMS
d. Credence for Treasury Management

All these systems are various stages of development and are expected to go live in the coming financial year.

9. Risk Management and Audit Framework:

100% in-house sourcing, comprehensive credit assessment and robust risk management and collections framework allows the Company to identify, monitor and manage risks inherent in its operations. Catering primarily to small business owners and self-employed customers while maintaining asset quality requires a special skillset in absence of traditional income evidence, such that lending to these borrowers is based on an assessment of their income and cash-flows through various methods. As part of our sourcing and underwriting processes, the following actions are taken from a risk mitigation perspective:

A. Ensure all loans are sourced in-house, either through branch-led local marketing efforts (i.e., door-to-door or specific referral marketing), repeat customers or through walk-ins. In-house sourcing allows for complete control over the quality of customer and processes involved to disbursement, which leads to better asset quality, compared to other methods of customer acquisition. Further, as our customers are onboarded by Company's officers and not by third party selling agents who may or may not be working with multiple financial institutions, there is a lower churn rate of customers throughout our portfolio.

B. In addition, self-employed customers are prone to variable cash-flows and lending to them requires robust underwriting systems to appropriately price the risk. As a result of the Company's 2-decade experience, expertise, and underwriting model, we have been able to effectively serve such customers, while maintaining asset quality, and expanding into newer geographies. An estimated 95% of the loans have the security of single-unit, self-occupied residential properties as collateral. The Company also operates with conservative average loan-to-value ratios and instalment to income ratios, which help mitigate adverse events and cyclical effects.

In addition to the inherent risk mitigants in the underwriting process, the Company also has a strong portfolio risk management framework wherein the portfolio is sliced and diced to understand the performance and also to identify underlying risks, if any. The Company has a Risk Management Committee headed by an Independent Director, who has been a veteran in the field of NBFCs, having run a large NBFC himself. The risk management framework comprises of a multi-tiered approach with the initial guidance coming from the Board / Risk Management Committee, which is implemented by the individual departments and overseen in tandem by the Auditors and Company's risk management team headed by the Chief Risk Officer.

During the year under review, the Company also strengthened its audit framework and implemented the Risk-based Internal Audit Framework (RBIA) as mandated by the Reserve Bank of India. The Company's audit process is overseen by the Audit Committee of the Board and is broken into 3 parts – Statutory Audit undertaken by the Statutory Auditors, Internal Audit undertaken by an external audit firm and Internal Process audit undertaken by an in-house audit team. All the aspects across regulatory compliance, Company specific policies and procedures, financial reporting and adherence to accounting standards, etc are covered and reported to the Audit Committee of the Board.

The RBIA framework of the Company has analysed all the functional processes, understood the risks inherent in such processes and tailored an audit scope which is in line with the risk profiles. During the year under review, the Company also appointed a senior professional as its Chief Audit Officer (CAO). The findings of the audit exercise are presented to the Audit Committee on a quarterly basis and also reported periodically to the Board.

10. Internal Financial Controls:

The internal financial control over financial reporting is a process that is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with the generally accepted accounting principles. The Company's Internal Financial Control system has been designed commensurate to the size and complexity of the Company's business and operations. The control system is designed to provide a high degree of assurance regarding the effectiveness and efficiency of the controls and mitigants to ensure that the operations and processes remain at acceptable levels, as far as possible.

The following are the types of controls documented and tested as part of the Internal Financial Controls testing. The Controls are based on the type of the Risks addressed:

Operational Controls: Controls designed and implemented to address the operational level risks or non adherence to the policies and practices of the Company.

Financial Controls: Controls designed and implemented to address the risks of having a financial reporting impact or misstatement in financial statements of the Company.

Compliance Controls: Controls designed and implemented to address the risk of non-compliance with the relevant statutory guidelines / provisions of the law of the land.

The Company has engaged an external audit firm to review the risk control matrices on a periodic basis and undertake a comprehensive testing to certify the efficacy of internal controls and suggest improvements as may be required. Their findings are presented to the Audit Committee on a periodic basis. This ensures that there is an external validation to the efficient workings of the process and financial controls that have been put in place by the Company.

Lakshmipathy Deenadayalan
Chairman & Managing Director
DIN: 01723269

Place: Chennai
Date: May 09, 2023

Business Responsibility & Sustainability Report

Business Responsibility & Sustainability Report

SECTION A: GENERAL DISCLOSURE

I. Details of the Listed Entity

1. Corporate Identity Number (CIN) of the Listed Entity	U65991TN1984PLC010844
2. Name of the Listed Entity	FIVE-STAR BUSINESS FINANCE LIMITED
3. Year of incorporation	1984
4. Registered office address	New No 27, Old No 4, Taylor's Road, Kilpauk, Chennai 600010
5. Corporate address	New No 27, Old No 4, Taylor's Road, Kilpauk, Chennai 600010
6. E-mail	cs@fivestargroup.in
7. Telephone	044–4610 6200
8. Website	www.fivestargroup.in
9. Financial year for which reporting is being done	FY 2022-2023
10. Name of the Stock Exchange(s) where shares are listed	National Stock Exchange, Bombay Stock Exchange
11. Paid-up Capital	INR 29,13,66,120

Contact Person

12. Name of the Person	Ms Shalini Baskaran
Telephone	044–4610 6260
Email address	shalini@fivestargroup.in

Reporting Boundary

13. Type of Reporting- Select	The disclosures in this report have been made on standalone basis for Five Star Business Finance Limited.
If selected consolidated:	Not Applicable

II. Product/Services

	S. No.	Description of Main Activity	Description of Business Activity	% Turnover of the Entity
14. Details of business activities	1.	Onward Lending	Five-Star Business Finance Limited is registered with the RBI as a non-deposit taking NBFC. The Company provides secured financial solutions –"small" business loans - to micro-entrepreneurs and self-employed individuals who are largely devoid of access to the formal financial ecosystem, predominantly in urban and semi-urban markets. These loans are collateralized and secured mostly against the self-occupied residential property of the customers in a majority of cases (~95+%). The ticket size of loan typically varies from Rs.1 lakh to Rs.10 lakh with majority of loans falling in <Rs.5 lakh range, offered with longer tenures of primarily 5-7 years, for the convenience of the customers. The Company follows low Loan to Value (LTV) and Debt Burden Ratio (DBR) norms of 50% at the time of origination, which ensure that the loan is more than adequately provided for during the tenure of the loan.	100%

	S. No.	Product / Service	NIC Code	% of Total Turnover contributed
15. Products Services sold by the entity	1.	Small Business	64,920	100%

III. Operations

	Location	Number of Plants	No. of Offices	Total
16. Number of locations where plants and/or operations offices of the entity are situated:	National	0	390	390
	International	0	0	0

Market served by the entity		Locations
17. a. No. of Locations	National (No. of States)	8
	International (No. of Countries)	0
b. What is the contribution of exports as a percentage of the total turnover of the entity?	Nil; the Company is a domestic entity with 100% of its operations within India	
c. A brief on types of customers	The Company is in the business of providing secured lending solutions primarily catering to micro-entrepreneurs, small businesses and self-employed individuals, who are largely cut off from the formal lending ecosystem, for their business and other needs.	

IV. Employees

18. Details as at the end of financial year:

S. No.	Particulars	Total	Male		Female	
			No. (B)	% (B/A)	No. (C)	% (C/A)
	Employees					
a. Employees and workers (including differently abled)						
1	Permanent Employees (A)	7,302	7,078	97%	224	3%
2	Other than Permanent Employees (B)	45	37	82%	8	17%
3	Total Employees (A+B)	7,347	7,115	97%	232	3%
b. Differently abled employees and workers						
1	Permanent Employees (E)	0	0	0	0	0
2	Other than Permanent Employees (F)	0	0	0	0	0
3	Total Employees (E+F)	0	0	0	0	0

19. Participation/Inclusion/Representation of women

S. No.	Category	Total (A)	No. and % of women	
			No. (B)	% (B/A)
1	Board of Directors	8 (Including the Board of Directors & Managing Director)	1	12.5%
2	Key Management Personnel	3	1	33.33%

20. Turnover rate for permanent employees and workers (Disclose trends for the past 3 years)

Category	FY 2022 - 2023 (Turnover rate in current FY)			FY 2021 - 2022 (Turnover rate in previous FY)			FY 2020 - 2021 (Turnover rate in the year prior to previous FY)		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Permanent Employees	49%	40%	48%	42%	26%	41%	26%	75%	27%

V. Holding, Subsidiary, and Associate Companies (including joint ventures)

S. No.	Name of the holding / subsidiary / associate companies / joint ventures	Indicate whether it is a holding / Subsidiary / Associate / or Joint Venture	% of shares held by the listed entity	Does the entity indicated in column A, participate in the Business Responsibility initiatives of the listed entity? (Yes/No)
1	NIL	N.A.	N.A.	N.A.

VI. CSR Details

22. a. Whether CSR is applicable as per section 135 of Companies Act, 2013	Yes
Turnover (in Rs.)	INR 152,892.75 lakhs
Net Worth (in Rs.)	INR 433,953.47 lakhs

VII. Transparency and Disclosures Compliances

23. Complaints/Grievances on any of the principles (Principles 1 to 9) under the National Guidelines on Responsible Business Conduct

Stakeholder group from whom the complaint is received	Grievance Redressal Mechanism in Place (Yes/No)	If Yes, then provide web-link for the grievance redress policy	FY 2022-23 Current financial year			FY 2021-2022 Previous financial year		
			Number of complaints filed during the year	Number of complaints pending resolution at the close of the year	Remarks	Number of complaints filed during the year	Number of complaints pending resolution at the close of the year	Remarks
Communities	Yes	Business-Responsibility-and-Sustainability-Reporting-Policy.pdf	0	0	-	0	0	-
Investors (other than shareholders)	Yes	Not Applicable	0	0	-	0	0	-
Shareholders	Yes	Not Applicable	0	0	-	0	0	-
Employees and workers	Yes	Whistle-Blower-Policy-Vigil-Mechanism.pdf	0	0	-	0	0	-
Customers	Yes	Grievance-Redressal-Policy.pdf	91	0	-	99	1	-
Value Chain Partners	Yes	Business-Responsibility-and-Sustainability-Reporting-Policy.pdf	0	0	-	0	0	-
Others (please specify)		Not Applicable	0	0	-	0	0	-

24. Overview of the entity's material responsible business conduct issues

Material Issue Identified	Indicate whether risk or opportunity	The rationale for identifying the risk/opportunity	In case of risk, approach to adapt or mitigate	inancial implications of the risk or opportunity (Indicate positive or negative implications)
		Please refer the section on 'Material ESG issues in the ESG section of the Annual Report'		

SECTION B: MANAGEMENT AND PROCESS DISCLOSURES

The National Guidelines for Responsible Business Conduct (NGRBCs) as prescribed by the Ministry of Corporate Affairs advocates the following nine principles referred to as P1 to P9.

P1 - Business should conduct and govern themselves with Ethics, Transparency and Accountability

P2 - Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

P3 - Businesses should promote the wellbeing of all employees

P4 - Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized

P5 - Businesses should respect and promote human rights

P6 - Business should respect, protect, and make efforts to restore the environment

P7 - Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

P8 - Businesses should support inclusive growth and equitable development

P9 - Businesses should engage with and provide value to their customers and consumers in a responsible manner

Disclosure Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1. a. Whether your entity's policy/ policies cover each principle and its core elements of the NGRBCs. (Yes/No)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
b. Has the policy been approved by the Board? (Yes/No)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
c. Web Link of the Policies, if available	Web links of the policies which cover the principles and core elements of the NGRBCs are as follows: **BRSR Policy:** Business-Responsibility-and-Sustainability-Reporting-Policy.pdf **POSH:** Policy-on-Prevention-of-Sexual-Harrasment.pdf **Code of Conduct:** Code-of-Conduct-for-Board-of-Directors-and-Senior-Management-Personnel.pdf **Whistle Blower Policy:** Whistle-Blower-Policy-Vigil-Mechanism.pdf **Investor Policy:** Investors – Five Star.pdf **Risk Management Policy:** Risk-Management-Policy.pdf **CSR Policy:** Corporate-Social-Responsibility.pdf **Remuneration Policy:** Appointment-Remuneration-Evaluation-Policy.pdf **Board Diversity Policy:** Board-Diversity-Policy.pdf								
2. Whether the entity has translated the policy into procedures. (Yes / No)	Yes								
3. Do the enlisted policies extend to your value chain partners? (Yes/No)	No; the Company has not identified any material ESG risks emanating from our value chain and hence has not extended the policies to include our value chain.								
4. Name of the national and international codes/ certifications/labels/ standards (e.g., Forest Stewardship Council, Fairtrade, Rainforest Alliance, Trustee) standards (e.g., SA 8000, OHSAS, ISO, BIS) adopted by your entity and mapped to each principle.	NIL								
5. Specific commitments, goals, and targets set by the entity with defined timelines, if any.	Five Star Business Finance has identified Material ESG issues in FY 2022-23. The Company is working towards identifying goals and targets and will be disclosed in future reports.								
6. Performance of the entity against the specific commitments, goal, and targets along with reasons in case the same are not met.	The Company has been working extensively towards the goal of financial inclusion and serving the needs of the underserved. The Company is also committed to contributing to community development through its CSR activities Details of the same are presented in our ESG report.								
Governance, Leadership, and Oversight									
7. Statement by director responsible for the business responsibility report, highlighting ESG-related challenges, targets, and achievements	Please refer the ESG Report for a statement from the Chairman & Managing Director, highlighting our ESG Goals, performance and outlook.								
8. Details of the highest authority responsible for implementation and oversight of the Business Responsibility policy (ies).	Mr. Lakshmipathy Deenadayalan, Chairman & Managing Director, is the highest authority responsible for implementation and oversight of the Business Responsibility policies.								
9. Does the entity have a specified Committee of the Board/ Director responsible for decision-making on sustainability-related issues? (Yes / No). If yes, provide details.	Mr. Lakshmipathy Deenadayalan, Chairman & Managing Director, is the highest responsible for decision making in relation to sustainability related focus areas, goals and other issues.								

10. Details of Review of NGRBCs by the Company:

Indicate whether the review was undertaken by the Director / Committee of the Board/ Any other Committee Frequency (Annually/ Half yearly/ Quarterly/ Any other – please specify)	
Performance against the above policies and follow-up action	The aforementioned policies have been approved by the Board and its Committees. The same have also been reviewed by the Company's Senior Management. Performance against the policies is reviewed on annual basis.
Compliance with statutory requirements of relevance to the principles, and the rectification of any non-compliances	Audit Committee of the Board, along with the Management team review and ensure continued compliance with laws applicable to the Company. No non-compliances were observed/reported in this reporting period.

	P1	P2	P3	P4	P5	P6	P7	P8	P9
11. Has the entity carried out independent assessment/ evaluation of the working of its policies by an external agency? (Yes/No). If yes, provide name of the agency	No; on the basis of the level of risk perceived being low, the Company has not yet engaged any third part for assessments or evaluation.								

SECTION C: PRINCIPLE WISE PERFORMANCE DISCLOSURE

PRINCIPLE 1: Businesses should conduct and govern themselves with integrity, and in a manner that is Ethical, Transparent and Accountable.

ESSENTIAL INDICATORS

1. Percentage coverage b/y training and awareness programmes on any of the principles during the financial year:

Segment	Total number of training and awareness programmes held	Topics/principles covered under the training and its impact	%age of persons in respective category covered by the awareness programmes
Board of Directors	2	• Familiarisation programs • Update on pillars of the company's business model as part of the Risk Management Committee meetings	100%
Key Management Personnel	2	• Session on Insider trading • Management team was also part of the roadshows done during IPO, wherein investors were taken through in a thorough manner on the Company's business model, underwriting and various other aspects	100%
Employees other than BODs and KMPs	70	Aspects covered in training include: • Code of Conduct • Prevention of Sexual Harassment • Health and Safety • Information Security • Employee Benefits and Policies • Grievance Redressal.	93%

2. Details of fines / penalties /punishment/ award/ compounding fees/ settlement amount paid in proceedings (by the entity or by directors / KMPs) with regulators/ law enforcement agencies/ judicial institutions, in the financial year, in the following format.

a. Monetary

Type	NGRBC Principle	Name of the regulatory/ enforcement agencies/ judicial institutions	Amount (In INR)	Brief of the case	Has an appeal been preferred? (Yes/No)
Penalty/ Fine	NIL	NIL	NIL	NIL	NA
Settlement	NIL	NIL	NIL	NIL	NA
Compounding fee	NIL	NIL	NIL	NIL	NA

b. Non-Monetary

Type	NGRBC Principle	Name of the regulatory/ enforcement agencies/ judicial institutions	Amount (In INR)	Brief of the case	Has an appeal been preferred? (Yes/No)
Imprisonment	NIL	NIL	NIL	NIL	0
Punishment	NIL	NIL	NIL	NIL	0

3. Of the instances disclosed in Question 2 above, details of the Appeal/ Revision preferred in cases where monetary or non-monetary action has been appealed.

Not Applicable

4. Does the entity have an anti-corruption or anti-bribery policy? If yes, provide details in brief and if available, provide a web-link to the policy.

Yes, as per Five Star's anti-corruption policy, it goes against the Company's policy to give anything of value to anybody directly or indirectly in order to influence decisions, unlawfully obtain or maintain business, or otherwise benefit unjustly from business connections. Receiving or agreeing to receive anything of value that causes or would cause to breach the duties at Five Star is also prohibited. The policy may be viewed at the following link: Anti-Corruption-or-Anti-Bribery-Policy.pdf

5. Number of Directors/KMPs/employees/workers against whom disciplinary action was taken by any law enforcement agency for the charges of bribery/ corruption:

No instances of corruption or bribery were observed or reported in the past two financial years.

Category	FY 2022-2023 (Current financial year)	FY 2021-2022 (Previous financial year)
Directors	NIL	NIL
KMPs	NIL	NIL
Employees	NIL	NIL
Workers	NIL	NIL

6. Details of complaints with regard to conflict of interest:

Nil. There were no instances of conflict of interest reported in FY 2022-23.

7. Provide details of any corrective action taken or underway on issues related to fines / penalties / action taken by regulators/ law enforcement agencies/ judicial institutions, on cases of corruption and conflicts of interest.

Not applicable; no cases of corruption or conflict of interest were reported in the last two years.

LEADERSHIP INDICATORS

1. Does the entity have processes in place to avoid/ manage conflict of interests involving members of the Board? (Yes/No) If yes, provide details of the same.

Yes, the Company has Code of Conduct for Board of Directors and Senior Management Personnel.

The Board members and SMPs, on an annual basis, provide an affirmation that they have complied with the Code of Conduct for the financial year under review and that there were no instances of conflict of interest during the year. The Board members and SMPs do not participate in agenda items at the Board/Committee Meetings in which they are interested or deemed to be an interested party. The code may be viewed at the following link: Code-of-Conduct-for-Board-of-Directors-and-Senior-Management-Personnel.pdf

PRINCIPLE 2: Businesses should provide goods and services in a manner that is sustainable and safe

ESSENTIAL INDICATORS

1. Percentage of R&D and capital expenditure (capex) investments in specific technologies to improve the environmental and social impacts of product and processes to total R&D and capex investments made by the entity, respectively.

The Company is in the business of offering financial services (small business loans and mortgage loans) and does not have significant scope for investing in R&D activities.

Category	FY 2022-2023 (Current financial year)	FY 2021-2022 (Previous financial year)	Details of improvement in social and environmental aspects
Research & Development (R&D)	Not Applicable	Not Applicable	Not Applicable
Capital Expenditure (CAPEX)	Not Applicable	Not Applicable	Not Applicable

2. a. Does the entity have procedures in place for sustainable sourcing? (Yes/No)

No, given the nature of the Company's business, the Company sources materials only for running its operations. Accordingly, sustainable sourcing is not a key focus area of for the Company.

b. If yes, what percentage of inputs were sourced sustainably?

Not Applicable

3. Describe the processes in place to safely reclaim your products for reusing, recycling, and disposing at the end of life, for (a) Plastics (including packaging) (b) E-waste (c) Hazardous waste and (d) other waste

Product	Process to safety reclaim the product
a. Plastics (including packaging) b. E-Waste c. Hazardous Waste	Hazardous and e-waste are disposed through authorized recyclers, in accordance with the laws of the land.

4. Whether Extended Producer Responsibility (EPR) is applicable to the entity's activities (Yes / No). If yes, whether the waste collection plan is in line with the Extended Producer Responsibility (EPR) plan submitted to Pollution Control Boards? If not, provide steps taken to address the same.

Not Applicable

PRINCIPLE 3 Businesses should respect and promote the well-being of all employees, including those in their value chains

ESSENTIAL INDICATORS

1. a. Details of measures for the well-being of employees:

Category	Total (A)	% of employees covered by									
		Health Insurance		Accident Insurance		Maternity Benefits		Paternity Benefits		Day Care Facilities	
		No. (B)	% (B/A)	No. (C)	% (C/A)	No. (D)	% (D/A)	No. (E)	% (E/A)	No. (F)	% (F/A)
Male	6,998	6,998	100%	6,998	100%	0	0%	NA	NA	NA	NA
Female	227	227	100%	227	100%	227	100%	NA	NA	NA	NA
Total	7,225	7,225	100%	7,225	100%	227	100%	NA	NA	NA	NA
Other than Permanent Employees											
Male	41	41	100%	41	100%	0	0%	NA	NA	NA	NA
Female	7	7	100%	7	100%	7	100%	NA	NA	NA	NA
Total	48	48	100%	48	100%	7	100%	NA	NA	NA	NA

2. Details of retirement benefits, for Current FY and Previous financial year:

	FY 2022-23		FY 2021-2022 (Previous FY)	
	No. of employees covered as a % of total employees	Deducted and deposited with the authority (Y/N/N.A.)	No. of employees covered as a % of total employees	Deducted and deposited with the authority (Y/N/N.A.)
1. PF	7,343 (~100%)	Yes	5,672 (~100%)	Yes
2. Gratuity	7,302 (~99%)	Yes	5,659 (~100%)	Yes
3. ESI	4,849* (~66%)	Yes	3,998* (~70%)	Yes
4. Others-Please Specify	NA	Yes	NA	Yes

*Note: In 2021-22, the salaries of 1,677 employees were above the ESI limit and were hence not provided cover.

3. Accessibility of workplaces: Are the premises/offices of the entity accessible to differently abled employees and workers, as per the requirements of the Rights of Persons with Disabilities Act, 2016? If not, whether any steps are being taken by the entity in this regard.

Yes, the Company ensures that our premises are accessible for differentially abled employees (corporate office). The Company's premises have elevators, and / or ramps wherever possible. The Company is committed to ensuring that its office spaces are in alignment with the guidelines provided in the Act. However, our branches in tier 3, tier 4, tier 5 and tier 6 cities may not always have such facilities as all our branches are rented facilities and we may not be able to undertake structural modifications.

4. Does the entity have an equal opportunity policy as per the Rights of Persons with Disabilities Act, 2016? If so, provide a web link to the policy.

Yes, we follow the principles of equal opportunity and endeavor to provide equitable growth and development opportunities to all. This policy may be viewed at the following link: Equal-Opportunity-Policy.pdf

5. Return to work and Retention rates of permanent employees and workers that took parental leave.

Gender	Total number of people returned after parental leave in FY 2022-23	Total Number of people who took parental leave in FY 2022-23	Return to work rate	Total Number of people retained for 12 months after returning from parental leave	Total number of people returned from parental leave in prior FY	Retention Rate
			Permanent Employees			
Male	NA	NA	NA	NA	NA	NA
Female	1	3	33%	0	0	0
Total	1	3	33%	NA	NA	NA

6. Is there a mechanism available to receive and redress grievances for the following categories of employees and workers? If yes, give details of the mechanism in brief.

Category	Yes / No	Details of the mechanism in brief
Permanent Employees	Yes	All our employees have access to grievance Redressal mechanism irrespective of hierarchy. A Whistle-Blower Policy has been formulated for employees and Directors to report concerns about unethical behavior, actual or suspected fraud or violation of the Company's Code of Conduct policy. The Company has zero tolerance for sexual harassment at the workplace and is compliant with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of women at workplace (Prevention, Prohibition and Redressal) Act, 2013.
Other than Permanent Employees	Yes	Grievances reported, if any, are addressed within ten working days.

7. Membership of employees and worker in association(s) or Unions recognized by the listed entity:

Category	FY 2022-2023 (Current FY)			FY 2021-2022 (Previous FY)		
	Total employees / workers in respective category (A)	No. of employees / workers in respective category, who are part of association(s) or Union (B)	% (B/A)	Total employees / workers in respective category (C)	No. of employees / workers in respective category, who are part of association(s) or Union (D)	%(D/C)
			Permanent Employees			
Male	7,078	0	0%	5,487	0	0%
Female	224	0	0%	174	0	0%
Total	7,302	0	0%	5,661	0	0%
			Permanent Workers			
Male	37	0	0%	11	0	0%
Female	8	0	0%	3	0	0%
Total	45	0	0%	14	0	0%

8. Details of training given to employees and workers:

	Category	FY 2022-2023 (Current FY)			FY 2021-2022 (Previous FY)		
		Total employees / workers in respective category (A)	No. of employees / workers in respective category, who are part of association(s) or Union (B)	% (B/A)	Total employees / workers in respective category (C)	No. of employees / workers in respective category, who are part of association(s) or Union (D)	%(D/C)
a. Details of Skill training given to employees and workers.				Permanent Employees			
	Male	7,115	7,000	98%	5,498	4,250	77%
	Female	232	200	86%	177	130	73%
	Total	7,347	7,200	98%	5,675	4,380	77%

	Category	FY 2022-2023 (Current FY)			FY 2021-2022 (Previous FY)		
		Total employees / workers in respective category (A)	No. of employees / workers in respective category, who had a career review (B)	% (B/A)	Total employees / workers in respective category (C)	No. of employees / workers in respective category, who had a career review (D)	%(D/C)
b. Details of training on Health and Safety given to employees and workers.				Permanent Employees			
	Male	7,115	4,742	66%	5,498	3,534	64%
	Female	232	141	61%	177	64	36%
	Total	7,347	4,883	66%	5,675	3,598	63.5%

9. Details of performance and career development reviews of employees and worker:

Category	FY 2022-2023 (Current FY)			FY 2021-2022 (Previous FY)		
	Total employees / workers in respective category (A)	No. of employees / workers in respective category, who are part of association(s) or Union (B)	% (B/A)	Total employees / workers in respective category (C)	No. of employees / workers in respective category, who are part of association(s) or Union (D)	%(D/C)
Permanent Employees						
Male	5,498	4,293	78%	3,780	3,373	89%
Female	177	147	83%	158	145	92%
Others	0	0	0%	0	0	0%
Total	5,675	4,440	78%	3,938	3,518	89%

10. Health and safety management system:

a. Whether an occupational health and safety management system has been implemented by the entity? (Yes/No)	No
a.1. What is the coverage of such system?	Not Applicable
b. What are the processes used to identify work-related hazards and assess risks on a routine and non-routine basis by the entity?	Significant health and safety risks identified for our employees relate to Road Safety only. Suitable remedial measures have been instituted.
c. Whether you have processes for workers to report the work-related hazards and to remove themselves from such risks. (Yes/No)	Not Applicable
d. Do the employees/ worker of the entity have access to non-occupational medical and healthcare services? (Yes/ No)	Yes; all employees are covered under Company provided Group Medical Insurance.

11. Details of safety related incidents, in the following format:

Safety Incident/Number	Category	FY 2022-2023 Current financial year	FY 2021-2022 Previous financial year
Lost Time Injury Frequency Rate (LTIFR) (per one million-person hours worked)	Employees	0.75	1.1875
Total recordable work-related injuries	Employees	12	19
No. of fatalities	Employees	1	1
High consequence work-related injury or ill-health (excluding fatalities)	Employees	0	0

12. Describe the measures taken by the entity to ensure a safe and healthy workplace.

Fire extinguishers are placed at appropriate places to ensure safety environment, At the time of on boarding the new joiners are briefed on the process to be followed at the time of evacuation due to fire/natural calamities. Hand sanitizers are provided at the entry points and also will be provided to employees on need basis.

13. Number of Complaints on the following made by employees and workers:

Topic	FY 2022-2023 (Current FY)			FY 2021-2022 (Previous FY)		
	Filed during the year	Pending resolution at the end of year	Remarks	Filed during the year	Pending resolution at the end of year	Remarks
Working Conditions	0	0	Not Applicable	0	0	Not Applicable
Health & Safety	0	0	Not Applicable	0	0	Not Applicable

14. Assessments for the year:

Topic	% of your plants and offices that were assessed (by entity or statutory authorities or third parties)
Health and safety practices	No such assessments have been undertaken in the current year; no such statutory requirements.
Working Conditions	

15. Provide details of any corrective action taken or underway to address safety-related incidents (if any) and on significant risks / concerns arising from assessments of health & safety practices and working conditions.

Significant health and safety risks identified for our employees relate to Road Safety only. Suitable remedial measures have been instituted.

LEADERSHIP INDICATORS

1. Provide the measures undertaken by the entity to ensure that statutory dues have been deducted and deposited by the value chain partners

On a monthly basis, the Company reconciles the accounts with the legal fees that Value Chain Partners must pay in order to claim credit. The partner is reminded to make the remittance on time. If there are any delinquencies in the same, adequate follow-up is done. The Company withholds any money owed to the vendor up to the amount of overdue statutory dues. If after repeated reminders, statutory dues are not paid by the vendor, further operations with the vendor in question are suspended until the payment is duly completed.

PRINCIPLE 4: Businesses should respect the interests of and be responsive to all their stakeholders

ESSENTIAL INDICATORS

1. Describe the processes for identifying key stakeholder groups of the entity:

At Five Star, stakeholders have been defined as an institution, individual(s) or a group of individuals who contribute or create value for the organization, in line with the organization's core vision and mission. Currently the Company has identified the following as key stakeholder groups: employees (across all management levels), investors, customers, lenders, and communities of beneficiaries (CSR-programs)

2. List stakeholder groups identified as key for your entity and the frequency of engagement with each stakeholder group:

Stakeholder Group	**Whether identified as Vulnerable & Marginalized Group (Yes/ No)**	**Channels of communication** (Email, SMS, Newspaper, Pamphlets, Advertisement, Community Meetings, Notice Board, Website), Other	**Frequency of engagement (Annually/ Half yearly/ Quarterly /others – please specify)**	**Purpose and scope of engagement including key topics and concerns raised during such engagement**
Customers	No	Branch level awareness	Ongoing	Terms of business; Providing awareness about the concept of NPA, Due date, FPC.
Investors	No	Earnings call, website disclosures	Quarterly	Various topics relating to Company's performance;
Communities	Yes	Through our CSR Contributions	Periodic basis	Prior to the donation being accepted by the CSR committee based on completing the qualifying requirements stipulated by the Companies Act 2013, the Five-Star Team will visit and ascertain the concerns and needs of the people, particularly in the three areas of healthcare, livelihood, and education. Additionally, the business monitors whether expenditures are done appropriately, or contributions have reached the intended recipients. The results of these reviews and investments made are regularly shared with the CSR Committee.
Employees	No		Ongoing	Organizational policies and process, compliance to code of conduct etc Performance reviews
Lenders	No		Ongoing	The lenders are engaged on a frequent basis on 1. Performance updates, both financial & operational 2. Ad hoc updates, basis any event in the Company or external environment The goal is to keep the lenders informed of all significant events through regular updates as well as ad hoc updates based on the occurrence of any significant event. Communication on findings, upgrading of security or hypothecation, covenant compliance, etc. are all examples of periodic updates. In addition to these, there will occasionally be one-on-one meetings with lenders, either during normal limit renewal or review or in response to any significant business-related or external environment incident. These typically include guidance for the short- to medium-term as well as performance updates.

LEADERSHIP INDICATORS

1. Provide the processes for consultation between stakeholders and the Board on economic, environmental, and social topics or if consultation is delegated, how is feedback from such consultations provided to the Board.

The Company encourages constant and proactive engagement with its stakeholders to better communicate its strategies and performance. The Board is kept well informed on the progress made by various departments, and feedback on the same is sought from the Directors.

2. Whether stakeholder consultation is used to support the identification and management of environmental, and social topics (Yes / No). If so, provide details of instances as to how the inputs received from stakeholders on these topics were incorporated into policies and activities of the entity.

Yes, the stakeholder consultations are one of the key inputs to determining the Company's material topics. As part of this process, the Company looked at the aspects each stakeholder highlighted during the engagement and prioritized them using a matrix to arrive at key material topics. Please refer the ESG report 2022-23 for further details.

3. Provide details of instances of engagement with, and actions taken to, address the concerns of vulnerable/ marginalized stakeholder groups.

Not applicable; Currently, the Company has not received any complaints or flagging of concerns from vulnerable/ marginalized stakeholder groups.

PRINCIPLE 5: Businesses should respect and promote human rights

ESSENTIAL INDICATORS

1. Employees and workers who have been provided training on human rights issues and policy(ies) of the entity, in the following format:

Category	FY 2022-2023 (Current FY)			FY 2021-2022 (Previous FY)		
	Total (A)	No. of employees / workers covered (B)	% (B/A)	Total (C)	No. of employees / workers covered (D)	%(D/C)
Permanent	7,302	4,821	66%	5,661	3,586	63%
Other than Permanent	45	37	86%	14	12	86%
Total Employees	7,347	4,883	66%	5,675	3,598	63%

2. Details of minimum wages paid to employees and workers, in the following format:

Category	FY 2022-2023 (Current FY)					FY 2021-2022 (Previous FY)				
	Total (A)	Equal to Minimum Wage		More than Minimum Wage		Total (D)	Equal to Minimum Wage		More than Minimum Wage	
		No. (B)	% (B/A)	No. (C)	% (C/A)		No. (E)	% (E/D)	No. (F)	% (F/D)
Employees										
Permanent										
Total	7,302	345	5%	6,975	95%	5,661	147	3%	5,514	97%
Male	7,078	309	4%	6,769	96%	5,487	123	2%	5,364	98%
Female	224	36	16%	188	84%	174	24	14%	150	86%
Other than Permanent										
Total	45	2	4%	43	96%	14	8	57%	6	97%
Male	37	2	5%	35	95%	11	7	64%	4	98%
Female	8	0	0%	8	100%	3	1	33%	2	86%

3. Details of remuneration/salary/wages, in the following format:

	Male			Female		
	Number	Average Remuneration of Men (Rs in lakhs)	Average Wages of Men (Rs in lakhs)	Number	Average Remuneration of Women (Rs in lakhs)	Average Wages of Women (Rs in lakhs)
Board of Directors (BoD)	4	6.0	0	1	6.0	0
Key Managerial Personnel	3	430.66	0	1	21.90	0
Employees other than BoD and KMP	7,112	3.42	1.48	231	2.53	0.77

4. Do you have a focal point (Individual/ Committee) responsible for addressing human rights impacts or issues caused or contributed to by the business? (Yes/No)

Yes, there are various committees responsible for human rights impacts and issues in the Company. For instance, the Company has zero tolerance for sexual harassment at workplace and is compliant with the provisions relating to the constitution of Internal Complaints Committees under the Sexual Harassment of women at workplace (Prevention, Prohibition and Redressal) Act, 2013. Additionally, Grievance Redressal Policy is in place for any other human rights impacts/ issue.

5. Describe the internal mechanisms in place to redress grievances related to human rights issues.

The Company has zero tolerance and prohibits all forms of exploitative or forced labour, and any type of abuse. The Company is guided by the POSH Act (2013), Code of Conduct as well as Whistle-blower Policy to provide redressal on any grievances. As for customers, under Grievance Redressal Policy, complaints can be submitted through calls, emails, or letters to the concerned grievance redressal officer.

6. Number of Complaints on the following made by employees and workers:

	FY 2022-2023 (Current FY)			FY 2021-2022 (Previous FY)		
	Filed during the year	Pending resolution at the end of year	Remarks	Filed during the year	Pending resolution at the end of year	Remarks
Sexual Harassment	NIL	NIL	Not Applicable	NIL	NIL	Not Applicable
Discrimination at workplace	NIL	NIL	Not Applicable	NIL	NIL	Not Applicable
Child Labour	NIL	NIL	Not Applicable	NIL	NIL	Not Applicable
Forced Labour/Involuntary Labour	NIL	NIL	Not Applicable	NIL	NIL	Not Applicable
Wages	NIL	NIL	Not Applicable	NIL	NIL	Not Applicable
Other human rights related issues	NIL	NIL	Not Applicable	NIL	NIL	Not Applicable

7. Mechanisms to prevent adverse consequences to the complainant in discrimination and harassment cases.

Yes, A whistleblower policy and vigil system, a code of conduct for directors and senior management, a policy on combating sexual harassment, and a code of fair behavior are all in place as methods for reporting instances of discrimination and harassment. The complainant will be completely protected from any unfair practices such as retaliation, threats of termination or suspension of employment, disciplinary action, transfer, demotion, refusal of promotion, or similar actions, as well as any direct or indirect use of authority to obstruct the his/her right to continue performing his duties and functions, including additional protected disclosure. The Grievance Redressal Policy has also clearly laid out the hierarchy for escalation for the customers to ensure they are treated fairly and respectfully during resolution of their issues.

8. Do human rights requirements form part of your business agreements and contracts? (Yes/No)

Yes; the Company includes compliance to relevant laws (avoidance of child and forced labour) as a pre-requisite in its agreements and contracts with vendors and other partners.

9. Assessments for the year:

	% of your plants and offices that were assessed (by entity or statutory authorities or third parties)
Child Labour	NIL
Forced Labour/Involuntary Labour	NIL
Sexual Harassment	100 % as per POSH policy
Discrimination at workplace	NIL
Wages	NIL

10. Provide details of any corrective actions taken or underway to address significant risks/concerns arising from the assessments at Question 9 above.

No such incidents were observed in the reporting year.

PRINCIPLE 6: Businesses should respect and make efforts to protect and restore the environment

ESSENTIAL INDICATORS

1. Details of total energy consumption (in Joules or multiples) and energy intensity, in the following format:

Parameter	FY 2022-2023 (Current FY)	FY 2021-2022 (Previous FY)
Total electricity consumption (A) (GJ)	9,646.75	7,816.55
Total fuel consumption (B) (GJ)	19.03	22.84
Energy consumption through other sources (C) (GJ)	0	0
Total energy consumption (A+B+C) (GJ)	9,665.78	7,839.39
Energy intensity per rupee of turnover (Total energy consumption/ turnover in rupees) (GJ per million INR)	0.63	0.62

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

No

2. Does the entity have any sites / facilities identified as designated consumers (DCs) under the Performance, Achieve and Trade (PAT) Scheme of the Government of India? (Y/N) If yes, disclose whether targets set under the PAT scheme have been achieved. In case targets have not been achieved, provide the remedial action taken, if any. –

No; Company's business does not qualify under DCs.

3. Provide details of the following disclosures related to water, in the following format:

Parameter	FY 2022-2023 (Current FY)	FY 2021-2022 (Previous FY)
Water withdrawal by source (in kilolitres) (i) Surface water (ii) Groundwater (iii) Third party water (iv) Seawater / desalinated water (v) Others (Rainwater storage) Total volume of water withdrawal (in kilolitres) (i + ii + iii + iv + v) Total volume of water consumption (in kilolitres) Water intensity per rupee of turnover (Water consumed / turnover) (kl per crore INR of revenue)	Water consumption at our offices is minimal and is limited to only personnel use (i,e., in toilets, pantries etc). Hence this is currently not being measured/tracked.	

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

No

4. Has the entity implemented a mechanism for Zero Liquid Discharge? If yes, provide details of its coverage and implementation.

Considering the nature of business, the Company's usage of water is restricted to human consumption purposes only. The Company has not implemented a mechanism for zero liquid discharge.

5. Please provide details of air emissions (other than GHG emissions) by the entity, in the following format:

Not applicable as the Company is in the service industry and there are no process emissions.

Parameter	Please Specify Unit	FY 2022-2023 (Current FY)	FY 2021-2022 (Previous FY)
NOx	mg/m3	NA	NA
SOx	mg/m3	NA	NA
Particulate matter (PM)	mg/m3	NA	NA
Persistent organic pollutants (POP)	NA	NA	NA
Volatile organic compounds (VOC)	NA	NA	NA
Hazardous air pollutants (HAP)	mg/m3	NA	NA
Others – please specify	PPM	NA	NA

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

No

6. Provide details of greenhouse gas emissions (Scope 1 and Scope 2 emissions) & its intensity, in the following format:

Parameter	Unit	FY 2022-2023 (Current FY)	FY 2021-2022 (Previous FY)
Total Scope 1 emissions (Break-up of the GHG into CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, if available)	tCO2e	1.2	1.4
Total Scope 2 emissions (Break-up of the GHG into CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, if available)	tCO2e	2,170.52	1,758.72
Total Scope 1 and Scope 2 emissions per rupee of turnover (in Rs.)	tCO2e	2,171.72	1,759.13

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

No

7. Does the entity have any project related to reducing Green House Gas emission? If yes, then provide detail

Currently, the Company does not have any project related to reducing Green House Gas emission reductions as its emissions are not significant.

8. Provide details related to waste management by the entity, in the following format:

Parameter	FY 2022-2023 (Current FY)	FY 2021-2022 (Previous FY)
Total Waste generated (in metric tonnes)		
Plastic waste (A)	We do not generate any significant amount of waste in our corporate head office or our branch offices. Quantity of waste generated is currently not being tracked. Will be reported in the future years.	
E-waste (B)		
Bio-medical waste (C)		
Construction and demolition waste (D)		
Battery waste (E)		
Radioactive waste (F)		
Other Hazardous waste. Please specify, if any. (G)		
Other Non-hazardous waste generated (H). Please specify, if any. (Break-up by composition i.e. by materials relevant to the sector)		
Total (A+B + C + D + E + F + G+ H)		
For each category of waste generated, total waste recovered through recycling, re-using or other recovery operations (in metric tonnes)		
Category of waste		
(i) Recycled		
(ii) Re-used		
(iii) Other recovery operations		
Total		
For each category of waste generated, total waste disposed by nature of disposal method (in metric tonnes)		
Category of waste		
(i) Incineration		
(ii) Landfilling		
(iii) Other disposal operations		
Total		

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

No

9. Briefly describe the waste management practices adopted in your establishments. Describe the strategy adopted by your Company to reduce usage of hazardous and toxic chemicals in your products and processes and the practices adopted to manage such wastes.

The Company has not put in place a specific strategy for waste management as it does not generate a significant amount of wastes. Hazardous/e-wastes are disposed responsibly through authorized recyclers.

10. If the entity has operations/offices in/around ecologically sensitive areas (such as national parks, wildlife sanctuaries, biosphere reserves, wetlands, biodiversity hotspots, forests, coastal regulation zones etc.) where environmental approvals / clearances are required, please specify details in the following format:

Not Applicable

11. Details of environmental impact assessments of projects undertaken by the entity based on applicable laws, in the current financial year:

Not Applicable

12. Is the entity compliant with the applicable environmental law/ regulations/ guidelines in India, such as the Water (Prevention and Control of Pollution) Act, Air (Prevention and Control of Pollution) Act, Environment protection act and rules thereunder (Y/N). If not, provide details of all such non-compliances, in the following format:

Not Applicable

PRINCIPLE 7: Businesses when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent

ESSENTIAL INDICATORS

1. a) Number of affiliations with trade and industry chambers/ associations.
One

b) List the top 10 trade and industry chambers/ associations (determined based on the total members of such body) the entity is a member of/ affiliated to.

S. No.	Name of the trade and industry chambers/ associations	Reach of trade and industry chambers/ associations (State/National)
1	Finance Companies Association(India)	National

2. Provide details of corrective action taken or underway on any issues related to anti-competitive conduct by the entity, based on adverse orders from regulatory authorities
Not applicable as no issues or adverse orders, related to anti-competitive conduct by the Company were raised by regulatory authorities.

PRINCIPLE 8: Businesses should promote inclusive growth and equitable development

ESSENTIAL INDICATORS

1. Details of Social Impact Assessments (SIA) of projects undertaken by the entity based on applicable laws, in the current financial year.
Not applicable. There were no social impact assessments required to be taken by the Company by applicable laws.

2. Provide information on project(s) for which ongoing Rehabilitation and Resettlement (R&R) is being undertaken by your entity:
Not applicable. No such projects where Rehabilitation and Resettlement is required are being undertaken by the Company.

3. Describe the mechanisms to receive and redress grievances of the community
The Company undertakes CSR initiatives by contributing to reputed and recognized institutions such as the Ramakrishna Mission, the Single Teachers' School (Part of the Ramakrishna Mission), the MS Swaminathan Research Foundation. The Company also supports other organizations with donations to worthwhile purposes such as education, sustainable livelihood, or healthcare. These organizations supported by the Company undertake the needs assessments and understand the grievances of the communities, which is in-turn communicated to us and then support is extended. A summary of such activities supported is delivered to the CSR Committee of the Board on a regular basis. The Company also monitors whether expenditures have been made in the appropriate location and at the appropriate time.

4. Percentage of input material (inputs to total inputs by value) sourced from local or small-scale suppliers:

	FY 2022-2023 (Current FY)	FY 2021-2022 (Previous FY)
Directly sourced from MSMEs/ Small producers **Sourced directly from within the district and neighboring districts**	The Company procures a limited number of material other than those that are part of the IT infrastructure. Hence, currently such procurements are not tracked.	

PRINCIPLE 9: Businesses should engage with and provide value to their consumers in responsible manner

ESSENTIAL INDICATORS

1. Describe the mechanisms in place to receive and respond to consumer complaints and feedback. –
Consumer complaints are addressed by a Grievance Redressal Committee, which is led by senior management personnel. According to the Grievance Redressal Policy, there are a number of ways to receive consumer complaints. For example, customers can call, email, or write to the branch and register their complaints.

The Company's customer service department or the applicable branch managers will reply within 10 days of receiving the complaint. The Company secretary (who is also the Redressal Officer) and Nodal Officer (Head of Risk & Compliance) are the first level and second level points of contact for the escalation, respectively, according to a matrix that is also accessible to customers. Customers may speak with the regulatory authority for non-banking financial companies at the Reserve Bank of India directly if they receive an unsatisfactory response.

2. Turnover of products and/ services as a percentage of turnover from all products/service that carry information.

Type	As a percentage to total turnover
Environment and Social parameters relevant to product	NA
Safe and responsible usage	NA
Recycling and/or safe disposal	NA

3. Number of consumer complaints

	FY 2022-2023 (Current FY)			FY 2021-2022 (Previous FY)		
	Received during the year	Pending resolution at the end of year	Remarks	Received during the year	Pending resolution at the end of year	Remarks
Data privacy	0	0	-	0	0	-
Advertising	0	0	-	0	0	-
Cyber-security	0	0	-	0	0	-
Delivery of essential services	0	0	-	0	0	-
Restrictive Trade Practices	0	0	-	0	0	-
Unfair Trade Practices	0	0	-	0	0	-
Others	0	0	-	83	1	-

4. Details of instances of product recalls on account of safety issues

	Number	Reason for recall
Voluntary recalls	Not Applicable	
Forced recalls		

5. Does the entity have a framework/ policy on cyber security and risks related to data privacy? (Yes/No) If available, provide a web-link of the policy. –

Yes

6. Provide details of any corrective actions taken or underway on issues relating to advertising, and delivery of essential services; cyber security and data privacy of customers; re-occurrence of instances of product recalls; penalty / action taken by regulatory authorities on safety of products / services.

Not applicable since no such incidents were reported.

LEADERSHIP INDICATORS

1. Channels / platforms where information on products and services of the entity can be accessed (provide web link, if available).

The information on various products and services of the Company is available on:

- Branch office/Registered office
- SERVICES – Five Star (fivestargroup.in)

2. Steps taken to inform and educate consumers about safe and responsible usage of products and/or services. –

At Five Star, the consumers are educated on digital banking and paperless transaction through the front-end employees at our branches. The consumers are also encouraged to visit the Company's website through which digital transaction/banking services may be availed.

3. Mechanisms in place to inform consumers of any risk of disruption/discontinuation of essential services. –

The firm notifies its clients through SMS to the registered mobile number in the event of any disruption or termination of vital services. Details about the impact of the disruption or discontinuation are also posted at the branches. The Company will proactively engage with its customers and ensure that they do not suffer on account of disruption of services. If the disruption is due to technological failure, then the Company shall resort to manual means to fulfill the needs of the customers. If the tech disruption is expected to be long lasting, COB plan would be triggered to ensure that the customers are not put to significant difficulties.

4. Does the entity display product information on the product over and above what is mandated as per local laws? (Yes/No/Not Applicable)? If yes, provide details in brief. Did your entity carry out any survey with regard to consumer satisfaction relating to the major products / services of the entity, significant locations of operation of the entity or the entity as a whole? (Yes/No) –

Not applicable - there is no product information mandated by law. Given the nature of the business, there is limited applicability of this indicator.

5. Provide the following information relating to data breaches:

a. Number of instances of data breaches along-with impact – Nil
b. Percentage of data breaches involving personally identifiable information of customers – Nil

ESG @ Five Star

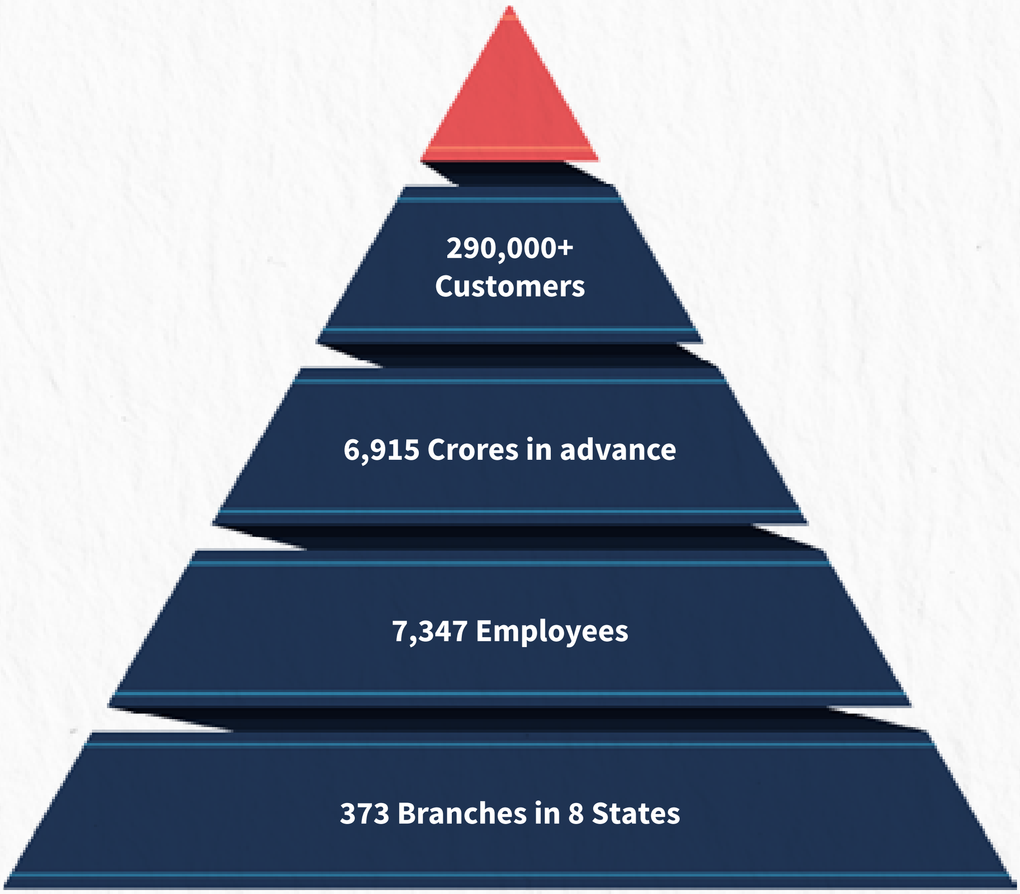
Fostering Financial Inclusion

About Five Star

Five-Star Business Finance Limited is registered as a Systemically Important Non-deposit taking Non-banking Financial Company ('SI-ND-NBFC') with the Reserve Bank of India. The Company came into existence in 1984. After about two decades of providing loans to micro-entrepreneurs and self-employed individuals for their business, asset creation and other requirements which has benefitted lakhs of customers, we stand tall as an industry leader.

Five Star has been attempting to bridge the credit gap in the market over the last couple of decades, extending financial service to the un-banked and under-banked sections of the society. This in turn, contributes to narrowing the socio-economic divide between urban and semi-urban/rural parts (to a large extent consisting of underprivileged segments of society) and helps achieve higher living standards.

With years of experience and a sound understanding of the financing industry, Five Star strives to grow even farther while staying true to its vision.



Presence and Reach

We have significant presence in Tamil Nadu (including corporate headquarters in Chennai), Andhra Pradesh, Telangana, Karnataka, and Madhya Pradesh. We have also started making early in-roads in the states of Maharashtra, Uttar Pradesh, and Chhattisgarh,.

It is significant to note that a large part of our branch presence is in tier 3, tier 4, tier 5 and tier 6 cities and towns, which are semi-urban and rural geographies with rapid population growth, largely devoid of access to formal sources of financial services.

A formidable workforce of over 7,000 employees work tirelessly to help the organization continue on its stellar growth path. Of these, around 6,000 employees are field agents, who help take our business to prospective and existing customers in every nook and corner of geographies where we are present.

Vision

Reaching the Unreached through suitable credit solutions.

Mission

Provide appropriate credit solutions to the hitherto unreached segment of the market by developing a niche underwriting model, built towards evaluating the twin strengths of the borrowers' intention to repay and ability to repay, with the ultimate objectives of increasing customers satisfaction and maximising stakeholders returns

What does 'ESG' mean to us?

There is increasing awareness that businesses do not operates in silos. Social and environmental value created by organizations has come to be recognized as being critical and continue to gain importance, indicating a paradigm shift from the traditional metrices that defined business successes only in financial terms. Corporates world-over have also recognized that they have an important role to play in fostering social equity and creating opportunities for development of members of the communities in which they operate. There is increasing realization that business growth is intricately interlinked with the growth and wellbeing of communities. Likewise, on the environmental front, every individual or business is exposed to the risks emanating from irreversible climate change and its consequences, to varying extents.

Financing businesses have the distinction of being uniquely positioned to contribute to sustainable development by empowering people and businesses to meet their growth aspirations. This is even more true in our case, given that for a substantial part of our customer base, hitherto, there may not have been access to structured financial services.

We recognize the importance of taking cognizance of ESG related risks and opportunities for continued business success. Keeping this in minds, in FY 2022-23, we undertook extensive stakeholder engagements to determine 'material' ESG issues.

Stakeholder Engagement & Materiality Assessment

Five Star accords paramount importance to setting high standards in corporate governance and creating social value. We recognize that there are a host of stakeholders with whom the organization interacts on a day-to-day basis, who are impacted by the organization and its operations.

The table below summarizes our key stakeholders and existing channels of engagement and topics of interest.

Stakeholder group	How we engage with them	Frequency of engagement	Key Discussions
Shareholders / Investors	• Quarterly Investor Calls, Presentations and meetings • Annual General Meetings • Press releases • Dedicated investor grievance redressal channels	• Annual • Quarterly • On an as-needed basis (for grievances)	• Resilient business model and long-term profitability • Corporate reputation • Transparency in corporate governance and disclosures • Financial performance • Risk management • Business ethics and compliance
Employees	• Employee Communication • Employee Engagement Activities • Webinars, learning and development programmes with feedback • Employee web portal • Policies and guidelines	• Continuous • Periodic (newsletters and other communications from the management)	• Business goals, continuity & strategy • Human rights, treating people with respect and dignity • Ethics and compliance to codes and policies • Learning and development • Professional growth
Customers	• Transparent documentation of the terms of business • Publication of customer-relevant information on our website • Customer grievance portal	• Continuous • Need-based	• Customer focus • Financial inclusion • Transparency in operations • Resolution of customer grievances in a timely manner
Local community / NGO	• CSR programmes and initiatives • Needs assessment by implementation partners	• Continuous • Need-based	• Community development • Local employment
Regulatory bodies	• Structured engagement through meetings • Contribution by Management and Directors on matters of policy • Regulatory filings	• Continuous • Need-based	• Compliance with applicable rules and regulations • Corporate Governance & ethics • Contribution to sustainable development

Materiality Assessment

It is important to understand ESG issues that may be of relative priority to each stakeholder groups and which also have the potential to impact the organization in its journey to excellence.

During the reporting year, we undertook a materiality assessment exercise to strengthen stakeholder relationships and understand their views on a host of ESG issues relevant to Five Star. The study also reviewed industry trends, regulatory requirements and performance of peers to firm up on issues that may be material to us.

Our approach to the materiality assessment process and the material issues identified are highlighted below:

Universe of Material Issues	Stakeholder Analysis	Stakeholder Engagment	Business Mapping	Materiality Matrix
• Collation of global, sectoral and core business priorities	• Stakeholder Identification and prioritisation	• Interviews, and meetings - inputs from all stakeholder groups on issues of priority	• Mapping business objectives and risks to material issues	• Comprehensive analysis to arrive at Materiality Matrix

Material Issue Identified: 1. Financial Inclusion
Is it a Risk / Opportunity: Opportunity

Rationale for identifying if the issue is the risk/opportunity	In case of risk, approach to adapt or mitigate	Financial implications of the risk or opportunity (Indicate positive or negative implications)
Five Star sees an opportunity to contribute to India's growth story by meeting the financial services needs of underserved segments. Access to structured finance could be a game-changer for MSMEs, entrepreneurs and small businesses which employ millions of people.	N.A	**Positive:** Making financial services accessible offers strong growth prospects for the Company while also contributing to the national aspirations of achieving financial inclusion.

Material Issue Identified: 2. Corporate Governance
Indicate Whether Risk / Opportunity: Risk

Financial services is an industry that is highly regulated and compliance driven. Multiple risks may arise from ongoing/ quick changes in the markets and the regulatory environment for the sector.	Five Star stands for good corporate governance and ethical business practises and has created strong governance frameworks and polices. Please refer the Corporate Governance Report for details of how our Corporate Governance structures work effectively to safeguard the organization from compliance and other risks.	**Negative:** Non-compliance/ any negative sentiments about our Corporate Governance may adversely affect our ability to raise fresh capital and threaten business continuity. In our case, the corollary has been observed to be true, i.e., recognition for strong corporate governance has been facilitating fresh investments in Five Star from financing partners from world-wide

Material Issue Identified: 3. Employee Wellbeing
Indicate Whether Risk / Opportunity: Opportunity

Rationale for identifying if the issue is the risk/opportunity	In case of risk, approach to adapt or mitigate	Financial implications of the risk or opportunity (Indicate positive or negative implications)
We view employees as the Company's most valued asset and accord top priority to ensuring their wellbeing.	N.A	**Positive:** Our motivated workforce has been one of the cornerstones for our continued success. Our on-field employees are the principal touch-points for our customers; business prospects and the reputation of our brand are significantly influenced by how our employees engage with the customers. For this reason, employees receive appropriate trainings and are also rewarded by schemes such as 'Lakshathipathi'. Please refer the ensuing Social section for details.

Material Issue Identified: 4. Stakeholder Engagement
Indicate Whether Risk / Opportunity: Risk

In its functioning, Five Star engages with a host of stakeholders, each with different sets of priorities, governed by different sets of rules/conventions for engagement.	The Company has put in place strong governance systems for engagement with stakeholders. Customer and investor grievances are accorded high priority and are regularly reviewed by Senior Management and the Board. An open work culture ensures that employees can voice concerns freely without fear of reprisal.	**Negative:** Weakness in stakeholder engagement & management might have a detrimental effect on the Company's brand, market standing, and clientele. Each stakeholder group is to be handled with due care, responding to their reasonable expectations and maintaining legal compliance.

Material Issue Identified: 5. Digitization
Indicate Whether Risk / Opportunity: Opportunity

Digitization of business operations can contribute to improving service delivery quality and efficiency for last-mile solutions, including customer service and experience. Use of technology and linked data systems has the potential to facilitate smooth client base growth.	N.A	**Positive:** Digitization has been paving the way for efficient, convenient and secure business with customers.

Material Issue Identified: 6. Risk Management
Indicate Whether Risk / Opportunity: Opportunity

To achieve our business objectives and provide long-term value for all our stakeholders, Five Star has recognised effective risk management as a key enabler. The Company has identified key risk categories and suitable safeguards. It is also in the process of identifying and integrating key ESG risks into the overall risk management framework.	A Risk Management Committee (RMC), is responsible for all important and practical facets of risk management The current risk management framework is intended to make it easier to detect, handle, and mitigate emerging risks quickly and effectively. This framework's primary goals and guiding principles include promoting strategic and data-driven decision-making, facilitating supervision, and monitoring, and guaranteeing effective checks and balances. Please refer the Risk Management section of the Annual Report for further details.	**Positive**: Framework for risk management and effective risk supervision provided by the Risk Committee has helped the Company tide through challenges included the COVID-19 pandemic, with efficiency. Effective risk management helped the business resume on its growth path in quick time.

Governance

At Five Star Business Finance, we believe that a sound corporate governance is integral to building long-term value for our stakeholders. Our operations are guided by an effective Board, that comprises industry stalwarts with decades of experience to their credit.

The key pillars of our governance paradigm are accountability, transparency, fairness, and righteous behaviour. We have ensured that an effective governance framework is put in place based on these principles to safeguard the long-term interests of all our stakeholders including minority and individual shareholders. This is epitomized by the fact that several of our Board Committees (Audit Committee, Nomination and Remuneration committee, Risk Management Committee, IT Strategy Committee, Stakeholder Relationship Committee etc) are headed by Independent Directors.

BOARD LEVEL COMMITTEES

- Audit Committee
- Nomination and Remuneration Committee
- Corporate Social Responsibility Committee
- Business and Resource Committee
- Asset Liability Committee
- Risk Management Committee
- IT Strategy Committee
- Stakeholders Relationship Committee

Our strong governance framework enables us to improve our operational efficiency, boost financial returns, and reduce risks while ensuring compliance with applicable regulations. Periodic internal reviews are carried out to validate the functioning of the Management and the governance structures of the Company, including the Board and its committees. This goes a long way in ensuring that the organization adheres to its stated goals and business objectives, while staying true to its vision and mission.

We have a comprehensive set of policies and guidelines that govern our actions. These policies provide a clear framework for decision making and are backed up by appropriate risk management frameworks to ensure compliance. In-line with the materiality assessment conducted and recognizing the rising importance of the ESG in our business, we have developed an ESG policy that has been reviewed and approved by our Board. The policy can be accessed in the link: ESG-Policy.pdf

The following sections discuss briefly some of our priority areas under Governance (including issues that may not have featured in the list of 'material' issues, but have been deemed as significant by the Management.

Risk Management

At Five Star, we recognise multiple risks including strategic, regulatory, and operational risks that can put our finances, human resources, physical, informational, and intellectual property assets as well as our reputation at risk. Like any other business, our business is also exposed to various internal and external risks, and we ensure that these risks are identified through a structured process. We have placed the 'unlent' segment as our top priority and have developed a clear strategy to analyse and mitigate the potential risks arising from such a business proposition.

We have identified the below mentioned risks as primary and have clear policies and procedures in place for monitoring and mitigation of the same.

Our business priority is to connect with consumers residing largely outside of major cities and have the willingness to use trustworthy, established loan channels to fund their business or personal needs.
The independent risk assessment, tracking, and control tasks are facilitated by Five Star's independent risk governance structure.

The Risk Management Policy has been posted on the website of the Company and is available on the web link: Risk-Management.pdf.

Business Ethics & Transparency

At Five Star, we submit any cases relating to ethics & transparency to the Audit Committee which monitors them until satisfactory resolution. These are also documented rigorously and included in the minutes of the Audit Committee's meetings. We have a well entrenched compliance framework managed by a capable team that ensures the Company's policies and business practices are in line with our established code. The stakeholders can file complaints about any unethical practices, misconduct, or grievances. We proactively maintain an ethics helpline that allows our employees to voice concerns or any incident of non-compliance. Every employee must immediately report to the management ethics helpline any real or potential breach of the Code, as well as any event of misconduct, misdemeanour, or act not in the best interests of the Company.

Digitization

We are striving to digitise every aspect of our business as a means to facilitating ease of conducting business. Our front-facing employees' interactions with consumers are used to raise awareness of digital repayment options available, thereby reducing the need for handling/ transacting in physical cash. We take delight in observing a rise in online transactions during the previous fiscal year.

Data Privacy & Security

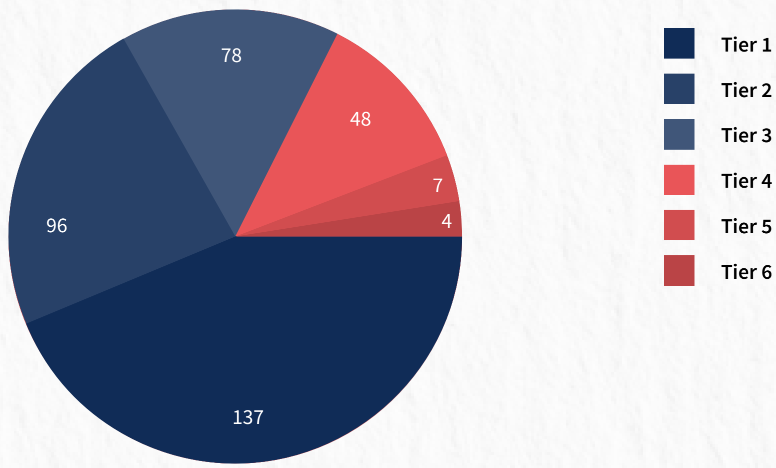
At Five Star, we have made significant progress in the recent years in data protection and cybersecurity. To reduce risks brought about by increasing complexities in the cyberspace, we have embraced cutting-edge technology, such the Amazon cloud platform, periodic Information Technology audits, vulnerability assessments and penetration testing carried out by an independent third party agency. We are increasingly switching to SaaS models, hosting partners like Salesforce or Oracle to minimise the risks. As already stated, an independent information technology audit was conducted during the previous fiscal year.

Social

Financial Inclusion

Our organisational motto has been "Reaching the Unreached" or in other words "Lending to the Unlent". By providing financial services to the 'unbanked and under-banked' segments of society, we open the door to financial inclusion and economic empowerment to the masses. Our loans range from INR 1 lakh to 10 lakhs with the average ticket size being around INR 3 to 5 lakhs and help our customers cover their business or personal needs.

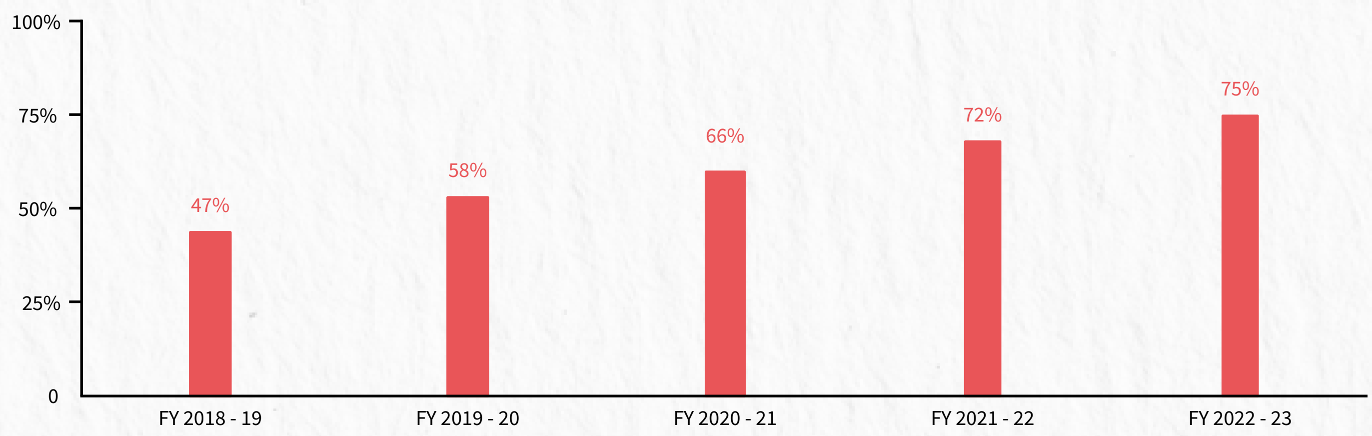
The consumers of Five Star predominantly avail loans for meeting their business requirements. They are typically first-time borrowers to the secured borrowing space in the formal financial ecosystem, who may not have been focused upon by large banks or other financial institutions. While about 25% of our customers are completely new-to-credit, we are the first formal lender providing a loan of the size mentioned above, to more than 75% of our customers and this is probably their first experience of availing a secured borrowing from a structured financial organization.
To cater to such customers, a significant part of our branch presence is in Tier-3 and below cities and towns, which have limited presence of other structured players.



Our unwavering focus on such a customer base has resulted in a steady increase in the Asset Under Management (AUM) from the Low-Income Group. This reiterates our belief on our core business strategy and also creates positive societal value.

Given the favourable demography of the country, the credit business has large potential, particularly funding the demand from micro-entrepreneurs and self-employed individuals

In an effort to increase the women participation in businesses and major financial transactions (in order to empower them), the company has also been encouraging women to come forward as primary borrowers in family-run establishments.



Giving people from less fortunate circumstances access to formal credit and financial services safeguards them from exploitation and empowers them to fight the cycle of poverty, fosters inclusive progress and social peace.

The knowledge and experience gained so far in our journey along with the strong brand credentials established in this segment augurs well for the next leg of growth for the Company towards building a robust portfolio.

Customer Relationship Management

The success of Five Star is based on the confidence and steadfastness of our clients, and prioritizing meeting client needs. The organisation has made efforts in this direction through campaigns for financial literacy, product creation, innovation, and personnel training and development.

We have established robust systems for customer grievance management. As a standard practice, we respond to customers within 10 days from receiving their complaints. In case the customer feels their grievances may not have been handled appropriately, they have the option of escalating their concerns to the Grievance Redressal Officer. The Grievance Redressal officer is mandated to respond again within 10 working days. Issues that have not been resolved at this level too, may then be escalated to the Head of Risk & Compliance, who also serves as the Company's Principal Nodal Officer.

Grievance Redressal Mechanism

- Number: 044 - 2346 0957 / 044 - 2346 0958 / 78258 55555
- Email: customercare@fivestargroup.in
- Customers can get in touch with the branch and voice their compliants to the personnel. The compliant must be entered in the Branch's Compliant Register.
- Customers can file written compliants with branch manager of the branch where they obtained the loan by submitting a letter

In rare cases of non-resoultion at Company level, complainants may also reach out to the Reserve Bank of India, which oversees operations of non-banking financial institutions.

However, most of the complaints are resolved at the Company level itself, which is a sign of our strong grievance redressal mechanism. A very small percentage of complaints get escalated to the regulator and even these relate to lack of understanding from the customers' part, and the Company has been able to provide satisfactory responses to the regulator leading to closure of such complaints.

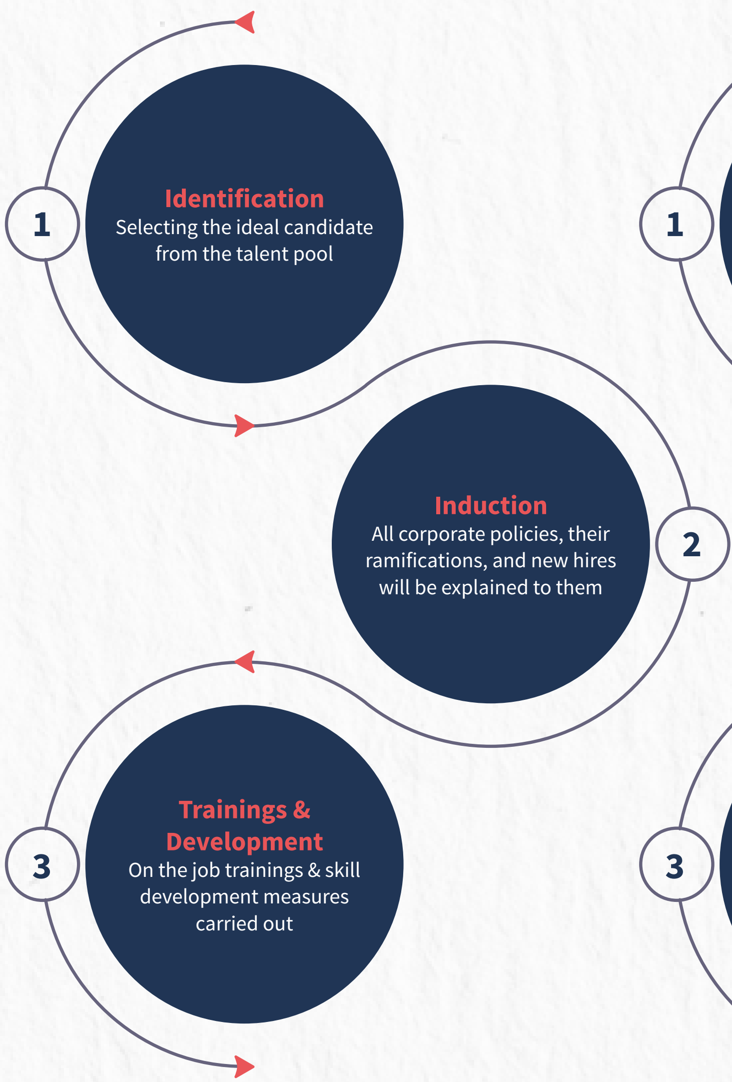
We also have an Internal Ombudsman, who is an independent person looking at the merit of the complaints received, and resolutions provided thereon. We have not had any instance of the Ombudsman disagreeing with the view of the Company on the merits of complaints received at the Ombudsman office or from the regulator.

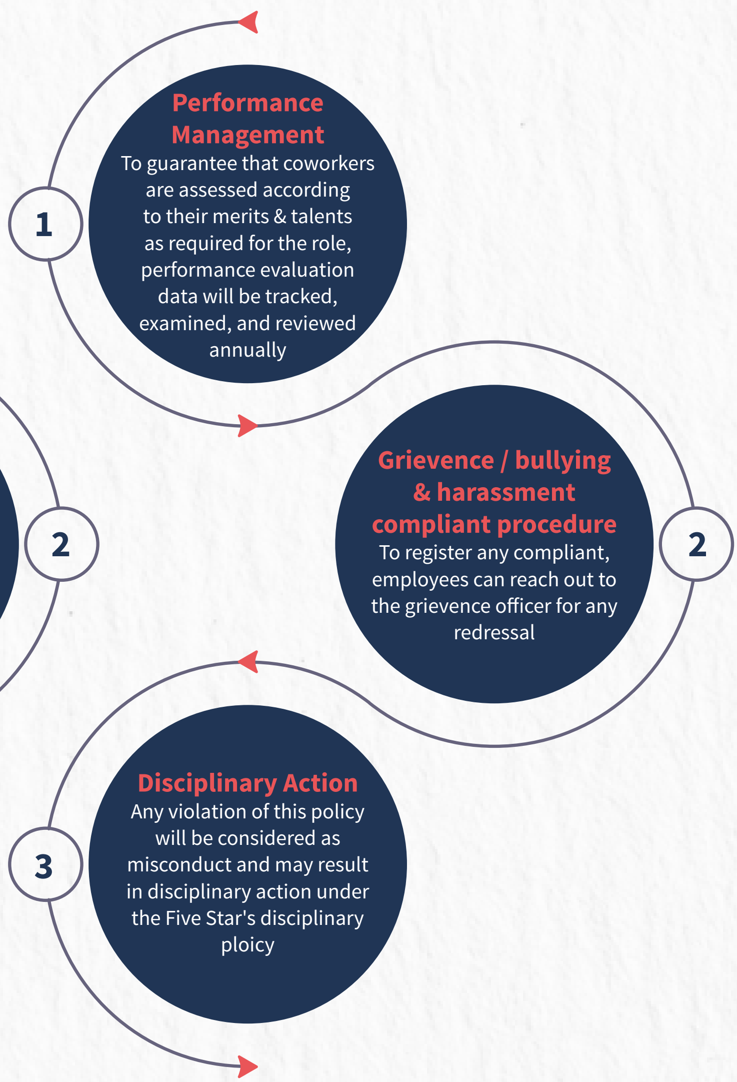
Talent Management and Retention

Our team of high-performing personnel are closely correlated with the organization's consistency in providing the best-in-class services. Our employees are our biggest assets and have been instrumental to our success since inception.

We select the ideal candidate from the market to ensure that top talents comprise our workforce at all levels. Recruitment in the Company is undertaken by a highly experienced team of Human Resource Personnel who identify and onboard candidates dynamically.

We are an equal opportunity employer and hire employees for permanent and contract positions. All our employees are on-roll employees and we do not engage any off the roll employees, as this may jeopardise their career prospects. For any senior and mid-level recruitment, internal applicants are primarily explored; the role extends to the external job market when the position does not get filled internally. In the last financial year, 771 number of employees were promoted to the managerial positions internally.





Currently, 7,347 people (permanent and non-permanent) are employed by the Company in a variety of roles across our branch offices and regional offices and head office. The Company acts in a manner that demonstrates accountability for the security, safety and wellbeing of the employees.

Employee Benefits

All our employees receive competitive salaries and other benefits in-line with industry best practices.

Our employees at all levels are protected by various health and life insurance policies for a secure future. The ESIC programme, which is supported by the government, covers over 60% of the workforce. All permanent employees of Five Star, regardless of their position, are protected by a family floater health insurance plan with a coverage of upto INR 5 lakhs in addition to the ESIC scheme.

In the event of a medical emergency or casualty, employees working as collection agents are entitled to receiving the basic pay component of their salary for the duration of the treatment period under a group personal accident policy.

1. ESIC Scheme

2. Health Insurance

All the employees are covered under Health Insurance at a base flaoter of INR 5 Lakhs irrespective of desgination and heirarchy

3. Accidental Insurance

All the field agents on the field are covered under group accident policy

4. Maternity Benefits

The female employees are covered under Maternity benefits. The Company witnessed 33% women returning to work in FY 2022 - 23, following their maternity benefits

Employees are eligible to receive a gift voucher for INR 10,000 on the occasion of their marriage.

To retain top talent, the Company has also initiated certain incentive schemes as a means to appreciating employees' relentless contribution to the organization's success.

Lakshathipathi Scheme

The senior employees are given Rs. 1 lakh on successful completion of 3 years at Five Star.

Lakshathipathi Scheme

The senior employees are given Rs. 1 lakh on successful completion of 3 years at Five Star.
The scheme was introduced in 2018 - 175 employees were covered by the scheme with benefits ranging from 100,000 to 500,000.

2022 scheme - 200 employees are eligible for 100,000/- on completion of 3 years.

Employee Stock Option Schemes
We have made available two Employees Stock Option Schemes, namely
- Five-Star Associate Stock Option Scheme 2015 (ASOP 2015)
- Five-Star Associate Stock Option Scheme 2018 (ASOP 2018)

314 employees have been granted ESOPs under the above schemes.

Diversity, Equity, and Inclusion

Five Star has put in pace a Diversity, Inclusion and Equal Opportunities Policy. The goal of this policy is to create a diverse, engaged, and equitably treated workforce. We support the diversity of our workforce and advance equality by making sure that no one is treated less favourably than another in any matter pertaining to employment based on ethnic origin, nationality, disability, age, gender, religion, marital status, family responsibilities, sexual orientation, social class, or other distinction unrelated to the requirements of the job. We reject all types of unjust and illegal discrimination.

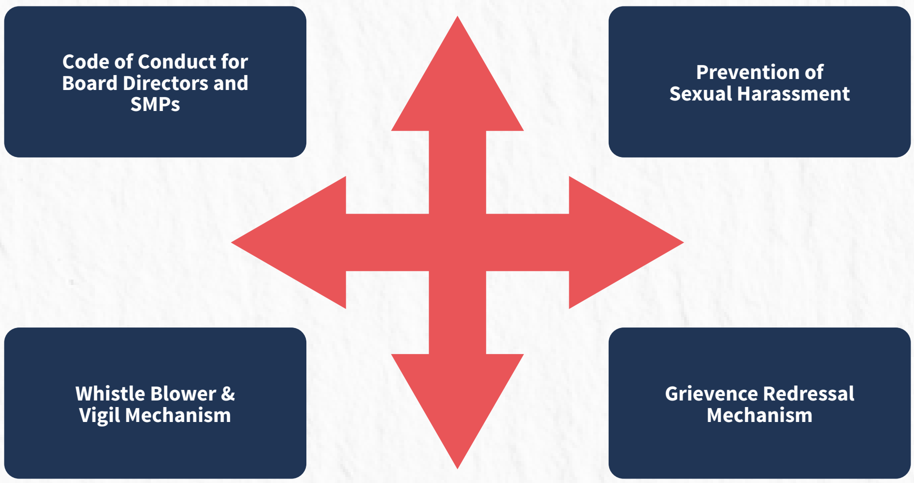
Diversity, Inclusion and Equity policy is available in the following weblink: Diversity-Inclusion-and-Equity-Policy.pdf.

While we have significant number of women employees in our corporate office, the overall percentage of women in the organization not being high is attributable to the fact that a majority of the organisation's employees are field officers. While the Company is open to hiring women candidates for such positions, the job demands – i.e., job being predominantly travel based, having to securely carry cash from customers to the branch and having to work odd-hours at times – seem to be detrimental to women actively joining our ranks. We are actively working towards enhancing the number of women employees, where possible, in the face of such challenges.

Human Rights

Since inception, Five Star has grown and thrived based on a culture of treating people with respect, empathy and dignity. We ensure that our interaction with all stakeholders including employees and customers respect the core principles and practises of Human Rights. We have a zero-tolerance policy regarding all forms of discrimination and harassment (including sexual harassment) at the workplace. Suitable trainings are provided to employees regarding important human rights issues.

No cases of sexual harassment or any other forms of human rights violations have been reported in the current year.



Community Engagement

Corporate Social Responsibility (CSR) is essential to our organisation as we seek to establish Five Star's credentials as a good corporate citizen. We have adopted a CSR strategy that enables us to improve the lives of the communities we impact. Our social initiatives are centred around four focus areas—Education, Skill Development, Health and Hygiene and Community Conservation. The CSR Committee of the Board coordinates and monitors our CSR functions to ensure the successful implementation of our initiatives and creating desired positive impact. The committee meets at least once every quarter to discuss progress and the way forward. The Board receives a quarterly status report on the execution of CSR programmes.

As part of our annual CSR action plan, we have undertaken activities in the following areas under the Schedule VII of the Companies Act:

- Livelihood – Eradicating hunger, poverty, and malnutrition, promoting healthcare including preventive healthcare, sanitation and making available safe drinking water
- Education – Promoting education, including special education and employment enhancing vocation skills especially among children, women, and livelihood enhancement projects
- Health – Providing equal opportunity for all people to access good medical and healthcare facilities

Promoting Education

- Undertaking projects on Single Teacher Schools in Tamil Nadu
- Ramakrishna Mission Students Home, unit of Ramakrishna Mission in Tamil Nadu
- Sponsoring medical equipments for Hindu Mission Hospital during FY 2021 - 22
- Ongoing project in Valluvar Gurukulam in Tamil Nadu for the past 1 year
- Project undertaken at Sri Sathya Sai Institute of Educare for the past 3 years in Tamil Nadu
- Project undertaken at Alagappa Chettiar College of Engineering & Technology Old in Tamil Nadu
- There is an ongoing project in Team Everest in Tamil Nadu for the past 1 year
- Project undertaken at M.S. Swaminathan Research Foundation in Tamil Nadu

Other areas – Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources.

Environment

A key component of sustainable development is the environmental wellbeing. While environmental issues were traditionally thought to be less important than economic considerations, recent challenges such as climate change and water scarcity have been global in nature, not sparing any industry sectors, including financial services.

We maintain compliance with all applicable environmental regulations and aim to ensure that the environmental risks are identified and managed judiciously through all stages of operations.

Energy and Emission Management

Our direct energy consumption includes the usage of fuel such as diesel in DG set in headquarter (Chennai) and central hub offices in Andhra Pradesh and Karnataka. Indirect energy consumption includes the electricity purchased from the grid. Effective energy control and usage will not only help us to reduce our carbon footprint but also allow us to reduce costs, improve business sustainability and mitigate risks arising from the evolving climate situation.

S. No.	Source of Energy	Unit	FY 2022 - 23	FY 2021 - 22
1	Diesel (DG sets, Own Vehicles)	GJ	19.03	22.84
2	Electricity Purchased from Grid	GJ	9,646.75	7,816.55

S. No.	GHG Emissions (tCO2e)	FY 2022 - 23	FY 2021 - 22
1	Scope 1	1.2	1.4
2	Scope 2	2,170.52	1,758.72

Waste Management

We strive to increase operational eco-efficiency in our business by moving towards digital and paper-less transactions.

All e-wastes from our operations are duly disposed through authorized recyclers in-line with regulatory requirements. Our operations do not otherwise carry any other significant risks or opportunities in the space of waste management.

Water Management

Our water consumption is minimal and limited to personnel use only (i.e., for use in toilets, pantries etc). We ensure there is no water wastage at our corporate head office and have installed water efficient fixtures. We are in the process of installing systems to track and report on water usage.

Disclosure pursuant to Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

(i) & (ii) Ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year 2022-23 & the percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year 2022-23:

Name of the Director	Title	% increase of remuneration in FY 2022-23 as compared to FY 2021-22	Ratio of remuneration to Median Remuneration of Employees*
Lakshmipathy Deenadayalan	Chairman & Managing Director	31.70	-
Anand Raghavan	Independent Director	50	2.40
Srinivasaraghavan T T	Independent Director	50	2.40
Bhama Krishnamurthy	Independent Director	50	2.40
Ramkumar Ramamoorthy	Independent Director	Not Applicable	2.00
Vasan Thirulokchand	Non-Executive Director	50	2.40

* Excluding sitting fees

Name of the Director	Designation	% increase of remuneration in FY 2022-23 as compared to FY 2021-22
Rangarajan Krishnan^	Chief Executive Officer	24.55%
Srikanth Gopalakrishnan^	Chief Financial Officer*	25.82%
Shalini Baskaran	Company Secretary	91.82%

^Increase in remuneration excluding stock options.

(iii) The percentage increase in the median remuneration of employees in the financial year 2022-23: 2.02% as compared to the financial year 2021-22.

(iv) The number of permanent employees on the rolls of the Company as of March 31, 2023 and March 31, 2022, was 7,347 and 5,675 respectively.

(v) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:

The average percentile increase in salaries of employees other than the managerial personnel for the financial year 2022-23 was 16.68% and increase in managerial remuneration was 29.89%.

(vi) Affirmation that the remuneration is as per the remuneration policy of the Company:
The Company affirms that remuneration is as per the Director's Appointment, Remuneration & Evaluation policy adopted by the Company for Directors, Key Managerial Personnel and other Employees.

S. No	Name	Designation	Remuneration ₹ in lakhs	Nature of Employment	Qualification and Experience	Date of commencement	Age	Last Employment	% of equity shares held
1.	Lakshmipathy Deenadayalan	Chairman & Managing Director	831.70	Full time	B.Tech - About 2 decades of experience in financial services industry	01-06-2012	49	NA	10.53%
2.	Rangarajan Krishnan	Chief Executive Officer	293.70	Full time	MBA & PGP - About 20 years years of experience across banking, private equity and advisory.	06-08-2015	44	Spark Capital	NA
3.	Srikanth Gopalakrishnan	Chief Financial Officer	170.44	Full time	MBA - About 20 years across multiple functions like business planning, securitisation, structuring, treasury and operations.	12-10-2015	44	Asirvad Microfinance Limited	NA
4.	Vanamali Sridharan	Chief Technical Officer	142.97	Full time	IIM - About 28 years of experience in banks and technology strategy consultancies	05-08-2021	54	Suryoday Small Finance Bank	NA
5.	Naveen Raj R	Chief Audit Officer	117.69	Full time	CA- About 16 years of experience in Audit and finance	06-04-2022	39	B S R & Associates LLP	NA
6.	J Vishnuram	Chief Operating Officer	107.38	Full time	MBA - About 20 years of experience in banking professional	15-03-2017	43	Deutsche Bank	NA
7.	S Parthasarathy	Chief Credit Officer	100.99	Full time	CA - About 18 years of experience in banking profession - credit and risk functions	03-01-2018	42	DBS	NA
8.	Sridharan Vembu	Head Development and Analysis	76.06	Full time	BE – About 22 years of experience in IT and finance	10-05-2021	46	Creditmantri Finserve Pvt. Ltd.	
9.	T Sathya Ganesh	Chief Business Officer	71.95	Full time	MBA - About 22 years of experience in banks and NBFCs.	19-12-2016	46	Shriram Housing	NA
10.	Ramesh Kannah	Chief Legal Officer	67.71	Full time	LLB and MBA – About 22 years of experience in legal for finance companies	21-04-2022	50	Piramal Capital and Housing	NA

None of the aforesaid employees are employed on contractual basis and none of them are related to any Director of the Company.
The remuneration is excluding stock options.

Financial Report

Independent Auditor's Report

To the Members of Five-Star Business Finance Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Five-Star Business Finance Limited (the "Company"), which comprise the Balance sheet as at March 31 2023, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013, as amended (the "Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2023, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended March 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How our audit addressed the key audit matter
(a) Impairment of Loans based on expected credit loss model *(Refer Note 6 of the financial statements)*	
Loans to customers represent a significant portion of the total assets of the Company. The Company has loans aggregating INR 693,325.45 lakhs as at March 31, 2023. As per the expected credit loss model of the Company developed in accordance with the principles set out in Ind-AS 109 on Financial Instruments, the Company is required to estimate the probability of loss / expected loss based on past experience and future considerations. This involves a significant degree of estimation and judgement, including determination of staging of financial assets; estimation of probability of defaults, loss given defaults, exposure at defaults; and forward-looking factors, micro and macro-economic factors, in estimating the expected credit losses. Additionally, regulatory changes on asset classification due to changes pursuant to RBI Circular dated November 12, 2021 read with RBI Circular February 15, 2022, have been collectively considered by the management in the classification / staging of financial assets including additional provision as part of its Expected Credit Loss provision on loans. In view of the high degree of management's judgement involved in estimation of ECL and the overall significance of the impairment loss allowance to the financial statements, it is considered as a key audit matter.	Our audit procedures included the following: • Read and assessed the Company's accounting policies for impairment of financial assets considering the requirements of Ind AS 109 and the governance framework approved by the Board of Directors pursuant to Reserve Bank of India guidelines. • Evaluated the management estimates by understanding the process of ECL estimation and related assumptions and tested the controls around data extraction, validation and computation. • Assessed the criteria for staging of loans based on their past due status as per the requirements of Ind AS 109. Tested a sample of performing loans to assess whether any SICR or loss indicators were present requiring them to be classified under higher stages. • Involved internal experts for testing of the ECL model and computation, including factors that affect the PD, LGD and EAD considering various forward looking, micro and macro-economic factors. • Tested assumptions used by the management in determining the overlay for macro-economic and other factors. • Assessed disclosures included in the financial statements in respect of expected credit losses.

We have determined that there are no other key audit matters to communicate in our report.

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Chairman's Message, Director's Report including annexures, Management Discussion and Analysis, Business Responsibility and Sustainability Report, Corporate Governance Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those charged with governance for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the financial year ended March 31, 2023 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 (the "Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by Section 143(3) of the Act, we report that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

(c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

(d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

(e) On the basis of the written representations received from the directors as on March 31, 2023 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2023 from being appointed as a director in terms of Section 164 (2) of the Act;

(f) With respect to the adequacy of the internal financial controls with reference to these financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;

(g) In our opinion, the managerial remuneration for the year ended March 31, 2023 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;

(h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 35 to the financial statements;

ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 6, Note 14 and Note 19 to the financial statements;

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company;

iv. a) The management has represented that, to the best of its knowledge and belief, other than as disclosed in the note 49 to the financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

b) The management has represented that, to the best of its knowledge and belief, other than as disclosed in the note 49 to the financial statements, no funds have been received by the Company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and

c) Based on such audit procedures performed that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) contain any material misstatement.

v. No dividend has been declared or paid during the year by the Company;

vi. As proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable for the Company only w.e.f. April 1, 2023, reporting under this clause is not applicable.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number - 101049W/E300004

per Bharath N S
Partner
Membership Number: 210934
UDIN: 23210934BGYJLR8142

Place of Signature: Chennai
Date: May 09, 2023

Annexure '1' referred to in paragraph under the heading "Report on other legal and regulatory requirements" of our report of even date
Re: Five-Star Business Finance Limited (the "Company")

In terms of the information and explanations sought by us and given by the Company and the books of account and records examined by us in the normal course of audit and to the best of our knowledge and belief, we state that:

(i)(a)(A) The Company has maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment.

(i)(a)(B) The Company has maintained proper records showing full particulars of intangibles assets.

(i) (b) All Property, Plant and Equipment were physically verified by the management in accordance with a planned programme of verifying them once in three years which is reasonable having regard to the size of the Company and the nature of its assets.

(i) (c) The title deeds of all the immovable properties (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) disclosed in note 10 to the financial statements included in property, plant and equipment are held in the name of the Company.

(i)(d) The Company has not revalued its Property, Plant and Equipment (including Right of use assets) or intangible assets during the year ended March 31, 2023.

(i)(e) There are no proceedings initiated or are pending against the Company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988 and rules made thereunder.

(ii)(a) The Company's business does not require maintenance of inventories and, accordingly, the requirement to report on clause 3(ii)(a) of the Order is not applicable to the Company.

(ii)(b) As disclosed in note 17 to the financial statements, the Company has been sanctioned working capital limits in excess of rupees five Crores in aggregate from banks during the year on the basis of security of current assets of the Company. Based on the records examined by us in the normal course of audit of the financial statements, the quarterly returns/ statements filed by the Company with such banks are in agreement with the unaudited books of accounts of the Company. The Company do not have sanctioned working capital limits in excess of rupees five Crores in aggregate from financial institutions during the year on the basis of security of current assets of the Company.

(iii) (a) The company's principle business is to give loans and is a registered NBFC, accordingly, reporting under clause (iii)(a) is not applicable.

(iii)(b) During the year the investments made, guarantees provided, security given and the terms and conditions of the grant of all loans and advances in the nature of loans, investments and guarantees to companies, firms, Limited Liability Partnerships or any other parties are not prejudicial to the Company's interest.

(iii)(c) In respect of loans and advances in the nature of loans, granted by the Company as part of its business of providing loans to customers, the schedule of repayment of principal and payment of interest has been stipulated by the Company. Having regard to the voluminous nature of loan transactions, it is not practicable to furnish entity-wise details of amounts, due date for repayment or receipt and the extent of delay (as suggested in the Guidance Note on CARO 2020, issued by the Institute of Chartered Accountants of India for reporting under this clause), in respect of loans and advances which were not repaid / paid when they were due or were repaid / paid with a delay, in the normal course of lending business.

Further, except in respect of 49,703 loans with aggregate exposure of principal and interest of Rs. 111,410.15 lakhs where there are delays or defaults in repayment of principal and / or interest as at the balance sheet date, in respect of which the Company has disclosed staging in note to the financial statements in accordance with Indian Accounting Standards (Ind AS) and the guidelines issued by the Reserve Bank of India, the parties are repaying the principal amounts, as stipulated, and are also regular in payment of interest, as applicable.

(iii)(d) In respect of loans and advances in the nature of loans, the total amount outstanding of loans classified as credit impaired ("Stage 3") is Rs. 9,393.85 lakhs in respect of 3,166 loans as at March 31, 2023, as disclosed in note 49 to the financial statements. In such instances, in our opinion, reasonable steps have been taken by the Company for recovery of the overdue amount of principal and interest.

(iii)(e) The company's principle business is to give loans and is a registered NBFC, accordingly, reporting under clause (iii)(e) is not applicable.

(iii)(f) The Company has not granted any loans or advances in the nature of loans, either repayable on demand or without specifying any terms or period of repayment to companies, firms, Limited Liability Partnerships or any other parties. Accordingly, the requirement to report on clause 3(iii)(f) of the Order is not applicable to the Company.

(iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and sub-section (1) of Section 186 of the Act in respect of the loans and investments made and guarantees and security provided by it. The provisions of sub-sections (2) to (11) of Section 186 are not applicable to the Company as it is a non-banking financial company registered with the RBI engaged in the business of giving loans.

(v) The Company has neither accepted any deposits from the public nor accepted any amounts which are deemed to be deposits within the meaning of sections 73 to 76 of the Companies Act and the rules made thereunder, to the extent applicable. Accordingly, the requirement to report on clause 3(v) of the Order is not applicable to the Company.

(vi) The Company is not in the business of sale of any goods or provision of such services as prescribed. Accordingly, the requirement to report on clause 3(vi) of the Order is not applicable to the Company.

(vii) (a) Undisputed statutory dues including goods and services tax, provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few instances in case of provident fund. According to the information and explanations given to us and based on audit procedures performed by us, no undisputed amounts payable in respect of these statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(vii) (b) The following dues of goods and services tax, provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, cess, and other statutory dues have not been deposited on account of any dispute:

Name of the statute	Nature of the dues	Amount (In ₹lakhs)	Period to which the amount relates	Forum where the dispute is pending
Income-Tax Act, 1961	Income-tax	6.74	AY 2006-07	Commissioner of Income-tax (Appeals)
Income-Tax Act, 1961	Income-tax	33.68	AY 2018-19	Commissioner of Income-tax (Appeals)

(viii) The Company has not surrendered or disclosed any transaction, previously unrecorded in the books of account, in the tax assessments under the Income Tax Act, 1961 as income during the year. Accordingly, the requirement to report on clause 3(viii) of the Order is not applicable to the Company.

(ix)(a) The Company has not defaulted in repayment of loans or other borrowings or in the payment of interest thereon to any lender.

(ix)(b) The Company has not been declared wilful defaulter by any bank or financial institution or government or any government authority

(ix)(c) Monies raised during the year by the Company by way of term loans has been applied for the purpose for which they were raised other than temporary deployment pending application of proceeds

(ix)(d) On an overall examination of the financial statements of the Company, no funds raised on short-term basis have been used for long-term purposes by the Company.

(ix)(e) The Company does not have any subsidiary, associate or joint venture. Accordingly, the requirement to report on clause 3(ix)(e) of the Order is not applicable to the Company.

(ix)(f) The Company does not have any subsidiary, associate or joint venture. Accordingly, the requirement to report on Clause 3(ix)(f) of the Order is not applicable to the Company.

(x)(a) During the year, the Company made an initial public offer of equity shares to the public through an offer for sale by existing shareholders which has not resulted in cash inflows into the Company. Accordingly, the requirement to report on clause 3(x)(a) of the Order is not applicable to the Company.

(x)(b) The Company has not made any preferential allotment or private placement of shares /fully or partially or optionally convertible debentures during the year under audit and hence, the requirement to report on clause 3(x)(b) of the Order is not applicable to the Company.

(xi)(a) No fraud by the Company or no material fraud on the Company has been noticed or reported during the year.

(xi)(b) During the year, no report under sub-section (12) of section 143 of the Companies Act, 2013 has been filed by secretarial auditor or by us in Form ADT – 4 as prescribed under Rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government.

(xi)(c) As represented to us by the management, there are no whistle blower complaints received by the Company during the year.

(xii) The Company is not a nidhi Company as per the provisions of the Companies Act, 2013. Therefore, the requirement to report on clause 3(xii) (a), (b) and (c) of the Order is not applicable to the Company.

(xiii) Transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

(xiv)(a) The Company has an internal audit system commensurate with the size and nature of its business.

(xiv)(b) The internal audit reports of the Company issued till the date of the audit report, for the period under audit have been considered by us.

(xv) The Company has not entered into any non-cash transactions with its directors or persons connected with its directors and hence requirement to report on clause 3(xv) of the Order is not applicable to the Company.

(xvi)(a) The Company has registered as required, under section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934)

(xvi)(b) The Company has not conducted any Non-Banking Financial or Housing Finance activities without obtaining a valid Certificate of Registration (CoR) from the Reserve Bank of India as per the Reserve Bank of India Act, 1934.

(xvi)(c) The Company is not a Core Investment Company as defined in the regulations made by Reserve Bank of India. Accordingly, the requirement to report on clause 3(xvi) of the Order is not applicable to the Company.

(xvi)(d) There are no other Companies part of the Group, hence, the requirement to report on clause 3(xvi) of the Order is not applicable to the Company.

(xvii) The Company has not incurred cash losses in the current or immediately preceding financial year.

(xviii) There has been no resignation of the statutory auditors during the year and accordingly requirement to report on Clause 3(xviii) of the Order is not applicable to the Company.

(xix) On the basis of the financial ratios disclosed in note 50 to the financial statements, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.

(xx)(a) In respect of other than ongoing projects, there are no unspent amounts that are required to be transferred to a fund specified in Schedule VII of the Companies Act (the Act), in compliance with second proviso to sub section 5 of section 135 of the Act. This matter has been disclosed in note 31.2 to the financial statements.

(xx)(b) All amounts that are unspent under section (5) of section 135 of Companies Act, pursuant to any ongoing project, has been transferred to special account in compliance of with provisions of sub section (6) of section 135 of the said Act. This matter has been disclosed in note 31.2 to the financial statements.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number - 101049W/E300004

per Bharath N S
Partner
Membership Number: 210934
UDIN: 23210934BGYJLR8142

Place of Signature: Chennai
Date: May 09, 2023

ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF FIVE-STAR BUSINESS FINANCE LIMTED

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to financial statements of Five-Star Business Finance Limited (the "Company") as of March 31, 2023 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to these financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, as specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to these financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to these financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to these financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to these financial statements.

Meaning of Internal Financial Controls with Reference to these Financial Statements

A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls With Reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2023, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number - 101049W/E300004

per Bharath N S
Partner
Membership Number: 210934
UDIN: 23210934BGYJLR8142
Place of Signature: Chennai
Date: May 09, 2023

Balance Sheet as at March 31, 2023

(All amounts are in Indian Rupees in lakhs, unless otherwise stated)

Particulars	Note	As at March 31, 2023	As at March 31, 2022
ASSETS			
Financial Assets			
Cash and cash equivalents	4	134,035.80	61,316.28
Bank balances other than cash and cash equivalents	5	24,050.41	26,677.50
Loans	6	682,219.59	510,241.07
Investments	7	14,461.42	24,818.38
Derivative financial instruments	14	346.09	-
Other financial assets	8	3,212.42	1,797.93
Total Financial Assets		**858,325.73**	**624,851.16**
Non-financial Assets			
Current tax asset (Net)	9	193.57	220.07
Deferred tax asset (Net)	33	5,332.60	4,666.74
Investment property	10	3.56	3.56
Property, plant and equipment	12	1,543.01	1,214.45
Right of use asset	37	2,846.18	1,978.10
Other intangible assets	13	97.71	88.74
Other non-financial assets	11	1,940.43	1,283.74
Total Non Financial Assets		**11,957.06**	**9,455.40**
Total Assets		**870,282.79**	**634,306.56**
LIABILITIES AND EQUITY			
Financial Liabilities			
Derivative financial instruments	14	-	138.92
Payables			
Trade payables	15		
Total outstanding dues of micro and small enterprises		-	-
Total outstanding dues of creditors other than micro and small enterprises		2,009.01	1,300.31
Debt securities	16	52,483.00	100,853.38
Borrowings (other than debt securities)	17	372,244.91	155,029.75
Other financial liabilities	18	6,070.01	4,046.83
Total Financial Liabilities		**432,806.93**	**261,369.19**
Non-financial Liabilities			
Current tax liabilities (Net)	9A	539.85	-
Provisions	19	1,158.17	900.03
Other non-financial liabilities	20	1,824.37	1,002.24
Total Non- Financial Liabilities		**3,522.39**	**1,902.27**
Total Liabilities		**436,329.32**	**263,271.46**

Balance Sheet as at March 31, 2023

(All amounts are in Indian Rupees in lakhs, unless otherwise stated)

Particulars	Note	As at March 31, 2023	As at March 31, 2022
Equity			
Equity share capital	21	2,913.66	2,913.43
Other equity	22	431,039.81	368,121.67
Total Equity		**433,953.47**	**371,035.10**
Total Liabilities and Equity		**870,282.79**	**634,306.56**
Significant accounting policies	2 and 3		

The accompanying notes are integral part of the financial statements

As per our report of even date

For **S.R.Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm registration number: 101049W/E300004

per **Bharath N S**
Membership No: 210934

Place: Chennai
Date: May 09, 2023

For and on behalf of the Board of Directors of
Five-Star Business Finance Limited
CIN : U65991TN1984PLC010844

D Lakshmipathy
Chairman & Managing Director
DIN : 01723269

R Anand
Independent Director
DIN : 00243485

G Srikanth
Chief Financial Officer

K Rangarajan
Chief Executive Officer

B Shalini
Company Secretary
ACS: A51334

Place: Chennai
Date: May 09, 2023

Statement of Profit and Loss for the Year ended March 31, 2023

(All amounts are in Indian Rupees in lakhs, unless otherwise stated)

Particulars	Note	For the year ended March 31, 2023	For the year ended March 31, 2022
Revenue from operations			
Interest income	23	149,878.37	120,376.55
Fee income	24	1,375.89	2,939.60
Net gain on fair value changes	25	830.59	2,090.21
Total revenue from operations(I)		**152,084.85**	**125,406.36**
Other income (II)	26	807.90	210.56
Total Income (III) = (I) + (II)		**152,892.75**	**125,616.92**
Expenses			
Finance Costs	27	26,625.10	30,060.00
Impairment on financial instruments	28	2,014.70	4,551.81
Employee benefits expenses	29	34,642.66	23,611.52
Depreciation and amortization	30	1,731.24	1,224.47
Other expenses	31	7,405.56	5,748.21
Total Expenses (IV)		**72,419.26**	**65,196.01**
Profit before tax (V) = (III) - (IV)		**80,473.49**	**60,420.91**
Tax expense (VI)			
Current Tax	32	20,715.40	15,959.12
Deferred tax (net)	32	(591.52)	(892.66)
Total tax expenses (VI)		**20,123.88**	**15,066.46**
Profit for the year (A) = (V) - (VI)		**60,349.61**	**45,354.45**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of the defined benefit plan	40	(144.06)	(171.63)
Income tax relating to items that will not be reclassified to profit or loss	32.1	36.26	43.20
Net other comprehensive income / (deficit) not to be reclassified subsequently to profit or loss		**(107.80)**	**128.43**
Items that will be reclassified subsequently to profit or loss			
Net movement on effective portion of cashflow hedge	47	(151.28)	(126.92)
Income tax relating to items that will be reclassified to profit or loss	32.1	38.07	31.94
Net other comprehensive income / (deficit) to be reclassified subsequently to profit or loss		**(113.21)**	**(94.98)**
Other comprehensive income/ (deficit) net of tax for the year (B)		**(221.01)**	**(223.41)**
Total comprehensive income net of tax for the year (A) + (B)		**60,128.60**	**45,131.04**

Statement of Profit and Loss for the Year ended March 31, 2023

(All amounts are in Indian Rupees in lakhs, unless otherwise stated)

Particulars	Note	For the year ended March 31, 2023	For the year ended March 31, 2022
Earnings per equity share (face value Re.1/- each)			
- Basic (in rupees)		20.71	16.09
- Diluted (in rupees)	38	20.49	15.92
Significant accounting policies	2 and 3		

The accompanying notes are integral part of the financial statements

As per our report of even date

For **S.R.Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm registration number: 101049W/E300004

per **Bharath N S**
Membership No: 210934

Place: Chennai
Date: May 09, 2023

For and on behalf of the Board of Directors of
Five-Star Business Finance Limited
CIN : U65991TN1984PLC010844

D Lakshmipathy
Chairman & Managing Director
DIN : 01723269

R Anand
Independent Director
DIN : 00243485

G Srikanth
Chief Financial Officer

K Rangarajan
Chief Executive Officer

B Shalini
Company Secretary
ACS: A51334

Place: Chennai
Date: May 09, 2023

Statement of Cash Flow for the Year ended March 31, 2023

(All amounts are in Indian Rupees in lakhs, unless otherwise stated)

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Cashflow from Operating Activities		
Profit Before Tax	**80,473.49**	**60,420.91**
Adjustments for:		
Interest income on loans	(146,303.00)	(117,673.21)
Interest income on deposit with banks/ others	(3,575.37)	(2,703.35)
Finance costs	26,625.10	30,060.00
Impairment on financial instruments	2,014.70	4,551.80
Depreciation and amortisation expense	1,731.24	1,224.47
Loss on sale/ retirement of property, plant and equipment (net)	2.83	1.32
Net gain on fair value changes on mutual fund investments	(830.59)	(2,090.21)
Gain recognised on derecognition of leases	(39.16)	(21.73)
Employee stock option expenses	2,764.19	3,544.18
Operating cashflow before working capital changes	**(37,136.57)**	**(22,685.82)**
Changes in Working Capital		
Adjustments for (increase) / decrease in operating assets		
Loans	(177,196.71)	(77,227.15)
Other financial assets	(1,452.18)	(1,323.59)
Other non-financial assets	(656.69)	(830.97)
Adjustments for increase / (decrease) in operating liabilities		
Trade payables	708.70	433.14
Provision	114.08	8.60
Other financial liabilities	1,150.45	1,845.86
Other non financial liabilities	822.13	(818.05)
Net cash used in operations	**(213,646.79)**	**(100,597.98)**
Finance cost paid	(27,991.40)	(27,395.14)
Interest income received	149,506.49	115,660.55
Direct taxes paid (net)	(20,149.07)	(15,383.41)
Net Cash Used in Operating Activities (A)	**(112,280.77)**	**(27,715.98)**
Cashflow from Investing Activities		
Purchase of property plant and equipment	(1,213.40)	(862.85)
Proceeds from sale of property plant and equipment	1.78	0.90
(Purchase)/ redemption of mutual funds (net)	830.59	2,090.21
(Purchase)/ redemption of investments (net)	10,100.99	(24,818.38)
Interest income on deposit from banks/ others	3,314.01	2,155.27
Movement in bank balances other than cash & cash equivalents	3,144.40	(16,953.57)
Net Cashflow from / (used in) Investing Activities (B)	**16,178.37**	**(38,388.42)**

Statement of Cash Flow for the Year ended March 31, 2023

(All amounts are in Indian Rupees in lakhs, unless otherwise stated)

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Cashflow from Financing Activities		
Proceeds from issue of equity shares	0.23	348.94
Proceeds from securities premium (net off utilisation)	25.35	90,363.87
Share issue expenses	-	(170.10)
Proceeds from borrowings during the year	310,356.20	31,541.00
Repayments of borrowings during the year	(140,781.36)	(120,830.40)
Payment towards leases (excluding interest)	(778.50)	(550.92)
Net Cashflow from Financing Activities (C)	**168,821.92**	**702.40**
Net increase (decrease)in Cash and Cash Equivalents (A) + (B) + (C)	**72,719.52**	**(65,402.00)**
Cash and Cash Equivalents at the beginning of the Year	**61,316.28**	**126,718.28**
Cash and Cash Equivalents at the end of the year	**134,035.80**	**61,316.28**

Particulars	As at March 31, 2023	As at March 31, 2022
Components of Cash and Cash Equivalents		
Notes		
1. Cash and cash equivalents		
Cash on hand	585.33	504.00
Balances with banks		
(i) In current accounts	13,875.11	4,741.93
(ii) In other deposit accounts (original maturity less than 3 months)	119.575.36	56,070.35
Total	**134,035.80**	**61,316.28**

The accompanying notes are integral part of the financial statements

As per our report of even date

For **S.R.Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm registration number: 101049W/E300004

per **Bharath N S**
Membership No: 210934

Place: Chennai
Date: May 09, 2023

For and on behalf of the Board of Directors of
Five-Star Business Finance Limited
CIN : U65991TN1984PLC010844

D Lakshmipathy
Chairman & Managing Director
DIN : 01723269

R Anand
Independent Director
DIN : 00243485

G Srikanth
Chief Financial Officer

K Rangarajan
Chief Executive Officer

B Shalini
Company Secretary
ACS: A51334

Place: Chennai
Date: May 09, 2023

Statement of Changes in Equity for the Year ended March 31, 2023

(All amounts are in Indian Rupees in lakhs, unless otherwise stated)

Particulars	Number of Shares	For the year ended March 31, 2023	Number of Shares	For the year ended March 31, 2022
A. Equity share capital				
Opening balance of equity shares of INR 1 each	**291,343,120**	**2,913.43**	**27,190,741**	**2,564.49**
Changes in equity share capital during the year				
Additional shares pursuant to share split issued during the year	-	-	244,716,669	-
Add: Issue during the year				
1. Fresh issue of equity shares	-	-	17,177,710	177.18
2. Issue of equity shares under employee stock option	23,000	0.23	1,718,000	17.18
3. Calling up unpaid capital	-	-	-	154.58
Closing balance	**291,366,120**	**2,913.66**	**291,343,120**	**2,913.43**

Particulars	Reserves and Surplus						Total
	Statutory Reserve	Securities Premium	Share option Outstanding Account	General Reserve	Retained Earnings	Effective portion of Cashflow Hedges	
B. Other Equity							
Balance as at April 01, 2021	**18,041.71**	**139,234.46**	**1,795.27**	**719.60**	**69,461.69**	**-**	**229,252.73**
Premium received on shares issued during the year	-	90,363.86	-	-	-	-	90,363.86
Profit for the year	-	-	-	-	45,354.45	-	45,354.45
Other comprehensive income/ (deficit) for the year	-	-	-	-	-	(94.98)	(94.98)
Transfer to statutory reserve	9,070.89	-	-	-	(9,070.89)	-	-
Remeasurement of defined benefit plan	-	-	-	-	(128.43)	-	(128.43)
Share based payment expense for the year	-	-	3,544.18	-	-	-	3,544.18
Share issue expenses	-	(170.10)	-	-	-	-	(170.10)
Transfer to securities premium on exercise of ESOP	-	1,933.65	(1,933.65)	-	-	-	-
Balance as at March 31, 2022	**27,112.60**	**231,361.87**	**3,405.80**	**719.60**	**105,616.78**	**(94.98)**	**368,121.67**
Balance as at April 01, 2022	**27,112.60**	**231,361.87**	**3,405.80**	**719.60**	**105,616.78**	**(94.98)**	**368,121.67**
Premium received on shares issued during the year	-	25.35	-	-	-	-	25.35
Profit for the year	-	-	-	-	60,349.61	-	60,349.61
Other comprehensive income/ (deficit) for the year	-	-	-	-	-	(113.21)	(113.21)
Transfer to statutory reserve	12,069.92	-	-	-	(12,069.92)	-	-
Remeasurement of defined benefit plan	-	-	-	-	(107.80)	-	(107.80)
Share based payment expense for the year	-	-	2,764.19	-	-	-	2,764.19
Transfer to securities premium on exercise of ESOP	-	49.59	(49.59)	-	-	-	-
Balance as at March 31, 2023	**39,182.52**	**231,436.81**	**6,120.40**	**719.60**	**153,788.67**	**(208.19)**	**431,039.81**

The accompanying notes are integral part of the financial statements

As per our report of even date
For **S.R.Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm registration number: 101049W/E300004

per **Bharath N S**
Membership No: 210934

Place: Chennai
Date: May 09, 2023

For and on behalf of the Board of Directors of
Five-Star Business Finance Limited
CIN : U65991TN1984PLC010844

D Lakshmipathy
Chairman & Managing Director
DIN : 01723269

R Anand
Independent Director
DIN : 00243485

G Srikanth
Chief Financial Officer

K Rangarajan
Chief Executive Officer

B Shalini
Company Secretary
ACS: A51334

Place: Chennai
Date: May 09, 2023

Notes forming part of the financial statements for the Year ended March 31, 2023

(All amounts are in Indian Rupees in lakhs, unless otherwise stated)

1. Corporate Information

Five-Star Business Finance Limited (“the Company”), is a public limited company domiciled in India, and incorporated under the provisions of Companies Act 1956. The Company is a systemically important non-deposit taking Non-Banking Finance Company (NBFC). The Company has received the Certificate of Registration dated June 9, 2016 in lieu of Certificate of Registration dated December 3, 2002 from the Reserve Bank of India (“RBI”) to carry on the business of Non Banking Financial Institution without accepting public deposits (“NBFC-ND”). The Company is primarily engaged in providing loans for business purposes, house renovation / extension purposes and other mortgage purposes.

2. Basis of preparation

2.1. Statement of compliance

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of Companies Act, 2013, (the 'Act') as amended from time to time and other relevant provisions of the Act. Any directions issued by the RBI or other regulators are implemented as and when they become applicable.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to the existing accounting standard requires a change in the accounting policy hitherto in use.

These financial statements were authorised for issue by the Company's Board of Directors on May 09, 2023

Details of the Company's accounting policies are disclosed in note 3.

2.2. Presentation of financial statements

The financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time and notified under section 133 of the Companies Act, 2013 (the Act) along with other relevant provisions of the Act, the Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (‘the NBFC Master Directions’) and notification for Implementation of Indian Accounting Standard vide circular RBI/2019-20/170 DOR(NBFC).CC.PD.No.109/22.10.106/2019-20 dated 13 March 2020 and RBI/2020-21/15 DOR (NBFC).CC.PD.No.116/22.10.106/2020-21 dated 24 July 2020 (‘RBI Notification for Implementation of Ind AS’) issued by RBI.

The financial statements are presented in Indian Rupee (INR) which is also the functional currency of the Company. The financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value. The financial statements are prepared on a going concern basis, as the Management is satisfied that the Company shall be able to continue its business for the foreseeable future and no material uncertainty exists that may cast significant doubt on the going concern assumption. In making this assessment, the Management has considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

The Balance Sheet, the Statement of Profit and Loss and Statement of Changes in Equity are presented in the format prescribed under Division III of Schedule III as amended from time to time, for Non Banking Financial Companies ('NBFC') that are required to comply with Ind AS. The statement of cash flows has been presented as per the requirements of Ind AS 7 Statement of Cash Flows.

The Company presents its balance sheet in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented separately.

Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:-

- The normal course of business
- The event of default
- The event of insolvency or bankruptcy of the company and / or its counterparties.

Derivative assets and liabilities with master netting arrangements (e.g. ISDAs) are only presented net when they satisfy the eligibility of netting for all of the above criteria and not just in the event of default.

2.3. Functional and presentation currency

These financial statements are presented in Indian Rupees (INR), which is also the Company's functional currency. All amounts have been rounded-off to the nearest lakhs (upto two decimals), unless otherwise indicated.

2.4. Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items:

Items	Measurement basis
Financial assets and liabilities	Fair value /Amortised cost, as applicable
Liabilities for equity-settled share-based payment arrangements	Fair value
Net defined benefit (asset)/ liability	Fair value of plan assets less present value of defined benefit obligations

2.5. Use of estimates and judgements

The preparation of the financial statements in conformity with Ind AS requires management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Accounting estimates could change from period to period. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

i). Business model assessment

Classification and measurement of financial assets depends on the results of business model and the solely payments of principal and interest ("SPPI") test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income (FVOCI) that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

ii). Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values.

iii). Effective Interest Rate ("EIR") method

The Company's EIR methodology, as explained in Note 3.1(A), recognises interest income / expense using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans given / taken and recognises the effect of potentially different interest rates at various stages and other characteristics of the product life cycle (including prepayments and delayed interest and charges).

This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well as expected changes to interest rates and other fee income/ expense that are integral parts of the instrument.

iv). Impairment of financial asset

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's expected credit loss ("ECL") calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include :

a) The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a life time expected credit loss ("LTECL") basis.

b) Development of ECL models, including the various formulae and the choice of inputs.

c) Determination of associations between macroeconomic scenarios and economic inputs, such as gross domestic products, lending interest rates and collateral values, and the effect on probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD").

d) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into ECL models.

v). Provisions and other contingent liabilities

The Company operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings in the ordinary course of the Company's business.

When the Company can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Company records a provision against the case. Where the outflow is considered to be probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Company takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

These estimates and judgements are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable.

vi) Leases

The estimates and judgements related to leases include:

a) The determination of lease term for some lease contracts in which the Company is a lessee, including whether the Company is reasonably certain to exercise lessee options.

b) The determination of the incremental borrowing rate used to measure lease liabilities.

vii) Other assumptions and estimation uncertainities

Information about critical judgements in applying accounting policies, as well as estimates and assumptions that have the most significant effect to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

i) Measurement of defined benefit obligations: key actuarial assumptions;

ii) Estimated useful life of property, plant and equipment and intangible assets;

iii) Recognition of deferred taxes.

3. Significant accounting policies

3.1 Revenue Recognition from contracts with customers

The Company recognises revenue from contracts with customers (other than financial assets to which Ind AS 109 ‘Financial instruments’ is applicable) based on a comprehensive assessment model as set out in Ind AS 115 ‘Revenue from contracts with customers’. The Company identifies contract(s) with a customer and its performance obligations under the contract, determines the transaction price and its allocation to the performance obligations in the contract and recognises revenue only on satisfactory completion of performance obligations. Revenue is measured at the fair value of the consideration received or receivable.

A. Effective Interest Rate ('EIR') Method

Under Ind AS 109, interest income is recorded using the effective interest rate method for all financial instruments measured at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any fees and costs that are an integral part of the EIR. The Company recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the financial instrument.

3.1 Revenue Recognition

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest income in the statement of profit and loss.

The Company calculates interest income by applying EIR to the gross carrying amount of financial assets.

When a financial asset becomes credit impaired and is, therefore, regarded as 'stage 3', the Company continues to calculate interest income on the amortized cost of the financial asset.

B. Dividend income

Dividend income is recognised when the Company’s right to receive the payment is established and it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably. This is generally when the shareholders approve the dividend.

C. Other interest income

Other interest income is recognised on a time proportionate basis.

D. Fee income

Fee income such as legal inspection charges, cheque bounce charges are recognised on an accrual basis in accordance with term of contract with the customer. Cheque Bounce charges are recognised as income upon certainity of receipt.

E. Net gain on fair value changes:

The Company designates certain financial assets for subsequent measurement at fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI). The Company recognises gains on fair value change of financial assets measured at FVTPL and realised gains on derecognition of financial asset measured at FVTPL and FVOCI on net basis in profit or loss.

F. Others

Delayed interest and other operating income are recognized as income upon certainty of receipt.

The Company recognises income on recoveries of financial assets written off on realisation or when the right to receive the same without any uncertainties of recovery is established.

All other income is recognized on an accrual basis, when there is no uncertainty in the ultimate realisation / collection.

3.2. Financial instrument - initial recognition

A. Date of recognition

Debt securities issued are initially recognised when they are originated. Loans are recognised when funds are transferred to the customers account. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

B. Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at fair value through profit and loss (FVTPL), transaction costs are added to, or subtracted from this amount.

C. Measurement categories of financial assets and liabilities

The Company classifies all of its financial assets based on the business model for managing the assets and the asset’s contractual terms, measured at either:

- i). Amortised cost
- ii). FVOCI
- iii). FVTPL

3.3. Financial assets and liabilities

A. Financial assets

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- a) How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel.
- b) The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- c) How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- d) The expected frequency, value and timing of sales are also important aspects of the Company’s assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case’ scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

SPPI test

As a second step of its classification process, the Company assesses the contractual terms of financial assets to identify whether they meet SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of financial asset (for example, if there are repayments of principal or amortisation of the premium/ discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the period for which the interest rate is set.
In contrast, contractual terms that introduce a more than the minimum exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Accordingly, financial assets are measured as follows based on the existing business model:

(i). Financial assets carried at amortised cost (AC)

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Bank balances, Loans, Trade receivables and other financial investments that meet the above conditions are measured at amortised cost.

Financial assets at fair value through Other Comprehensive Income (FVOCI). Financial assets are measured at FVOCI when the instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset meets the SPPI test.

(ii). Financial assets at fair value through profit or loss (FVTPL)

A financial asset which is not classified as measured at amortised cost/ FVOCI are measured at FVTPL.

B. Financial liabilities

i). Initial recognition and measurement

All financial liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liability, which are not at fair value through profit or loss, are adjusted to the fair value on initial recognition

ii). Subsequent measurement

Financial liabilities are carried at amortized cost using the effective interest method.

iii). Debt Securities and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the instrument.

The Company issues certain non-convertible debentures, the return of which is linked to performance of specified indices market indicators over the period of the debenture. Such debentures have a component of an embedded derivative which is fair valued at a reporting date. The resultant 'net unrealised loss or gain' on the fair valuation of these embedded derivatives is recognised in the statement of profit and loss. The debt component of such debentures is measured at amortised cost using yield to maturity basis.

iv). Embedded derivatives

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a standalone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index or prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

Derivatives embedded in all other host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss, unless designated as effective hedging instruments.

3.4. Reclassification of financial assets and liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Company did not reclassify any of its significant financial assets or liabilities in the year ended March 31, 2023 and March 31, 2022.

3.5.Derecognition of financial assets and liabilities

A. Derecognition of financial assets due to substantial modification of terms and conditions

The Company derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes unless the new loan is deemed to be Purchased or originated credit impaired (POCI)

When assessing whether or not to derecognise a loan to a customer, amongst others, the Company considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

B. Derecognition of financial assets other than due to substantial modification

i). Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in the statement of profit and loss.
When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay.

ii). Financial Liability

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the statement of profit and loss.

3.6. Impairment of financial assets

A. Overview of ECL principles

In accordance with Ind AS 109, the Company uses ECL model, for evaluating impairment of financial assets other than those measured at fair value through profit and loss (FVTPL).The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.When estimating LTECLs for undrawn loan commitments, the Company estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down.

Expected credit losses are measured through a loss allowance at an amount equal to:

i). The 12-months expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or

ii). Full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument)

Both LTECLs and 12 months ECLs are calculated on collective basis.
Based on the above, the Company categorises its loans into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1:

When loans are first recognised, the Company recognises an allowance based on 12 months ECL. Stage 1 loans includes those loans where there is no significant credit risk observed and also includes facilities where the credit risk has been improved and the loan has been reclassified from stage 2 or stage 3.

Stage 2:
When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the life time ECL. Stage 2 loans also includes facilities where the credit risk has improved and the loan has been reclassified from stage 3.

Stage 3:
Loans considered credit impaired are the loans which are past due for more than 90 days. The Company records an allowance for life time ECL.
For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

B. Calculation of ECLs
The mechanics of ECL calculations are outlined below and the key elements are, as follows:

Probability of Default (PD):
Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

Exposure at Default (EAD):
Exposure at Default ("EAD") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

Loss Given Default (LGD):
Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The Company has calculated PD, EAD and LGD to determine impairment loss on the portfolio of loans and discounted at an approximation to the EIR. At every reporting date, the above calculated PDs, EAD and LGDs are reviewed and changes in the forward looking estimates are analysed.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below:
Stage 1:
The 12 months ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12 months ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-months default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2:
When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Significant increase in credit risk
The Company monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Company will measure the loss allowance based on lifetime ECLs rather than 12mECLs.
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Company's historical experience and expert credit assessment including forward looking information.

Stage 3:
For loans considered credit-impaired, the Company recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

Credit-impaired financial assets
A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:
- significant financial difficulty of the borrower;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Company assesses whether debt instruments that are financial assets measured at amortised cost are credit-impaired at each reporting date.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default includes unlikeliness to pay indicators and a back- stop if amounts are overdue for 90 days or more.

Loan Commitments
When estimating LTECLs for undrawn loan commitments, the Company estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

C. Forward looking information
In its ECL models, the Company relies on a broad range of forward looking macro parameters and estimated the impact on the default at a given point of time.
The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

3.7. Write-offs
Financial assets are written off when there is a significant doubt on recoverability in the medium term. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to the statement of profit and loss.

3.8. Determination of fair value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company has taken into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Level 1 financial instruments: Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Company has access to at the measurement date. The Company considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date;

Level 2 financial instruments: Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Company will classify the instruments as Level 3;

Level 3 financial instruments: Those that include one or more unobservable input that is significant to the measurement as whole.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Company evaluates the levelling in the hierarchy at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary based on the facts at the end of the reporting period.

3.9. Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company, at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction.
Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Exchange differences are recognized in profit or loss.

3.10. Investment Property

Investment property represents property held to earn rentals or for capital appreciation or both.
Depreciation on building classified as investment property has been provided on the straight-line method over a period of 60 years based on the Company's estimate of their useful lives taking into consideration technical factors, which is the same as the period prescribed in Sch II to the Companies Act 2013.
Though the Company measures investment property using cost based measurement, the fair value of investment property is disclosed in the notes. Fair values are determined based on an annual evaluation performed by an external independent valuer applying valuation models.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of profit and loss in the period of derecognition.

3.10.1. Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses, if any.

Cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

iii. Depreciation

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives using the written down value method, and is generally recognised in the statement of profit and loss.

The Company follows estimated useful lives which are given under Part C of the Schedule II of the Companies Act, 2013. The estimated useful lives of items of property, plant and equipment for the current and comparative periods are as follows:

Asset Category	Estimated Useful Life
Vehicles	8 years
Furniture and fittings	10 years
Office equipment	5 years
Computers and accessories	3 years
Servers	6 years

Leasehold improvements are depreciated over the remaining period of lease or estimated useful life of the assets, whichever is lower. Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (upto) the date on which asset is ready for use (disposed of).

Property plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in other income / expense in the statement of profit and loss in the year the asset is derecognised. The date of disposal of an item of property, plant and equipment is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied in Ind AS 115.

3.11. Intangible assets

i. Recognition & Measurement

Intangible assets including those acquired by the Company are initially measured at cost. Such intangible assets are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

iii. Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values over their estimated useful lives using the straight line method and is included in depreciation and amortisation in Statement of Profit and Loss.

Asset Category	Estimated Useful Life
Computer softwares	5 years

Amortisation method, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

3.12. Impairment of non-financial assets

The Company determines periodically whether there is any indication of impairment of the carrying amount of its non-financial assets. The recoverable amount (higher of net selling price and value in use) is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. The recoverable amounts of such asset are estimated, if any indication exists and impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken in to account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations, are recognised in the statement of profit and loss.
For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

3.13. Employee benefits

i. Post-employment benefits

Defined contribution plan

The Company's contribution to provident fund is considered as defined contribution plan and are charged as an expense as they fall due based on the amount of contribution required to be made and when the services are rendered by the employees.

Defined benefit plans

Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan ('the asset ceiling'),if any. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the effect of the asset ceiling (if any, excluding interest), are recognised in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service ('past service cost' or 'past service gain') or the gain or loss on curtailment is recognised immediately in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognises related restructuring costs

The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

ii. Other long-term employee benefits

Compensated absences

The employees can carry forward a portion of the unutilised accrued compensated absences and utilise it in future service periods or receive cash compensation on termination of employment. Since the compensated absences do not fall due wholly within twelve months after the end of such period, the benefit is classified as a long-term employee benefit. The Company records an obligation for such compensated absences in the period in which the employee renders the services that increase this entitlement. The obligation is measured on the basis of independent actuarial valuation using the projected unit credit method.

iii. Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognized during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the year in which the employee renders the related service. The cost of such compensated absences is accounted as under :

(a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and

(b) in case of non-accumulating compensated absences, when the absences occur.

iv. Stock based compensation

The grant date fair value of equity settled share based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as expense is based on the estimate of the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market vesting conditions at the vesting date.

3.14. Provisions, contingent liabilities and contingent assets

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Company determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

Contingent liability

A possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or; present obligation that arises from past events where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability are disclosed as contingent liability and not provided for.

Contingent asset

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non- occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are neither recognised nor disclosed in the financial statements.

3.15. Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term.The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Company recognises right-of-use assets at the commencement date of the lease (i.e.the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Company determines the lease term as the initial period agreed in the lease agreement , together with both periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. In assessing whether the Company is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, it considers all relevant facts and circumstances that create an economic incentive for the Company to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Company revises the lease term if there is a change in the initial period agreed in the lease agreement.

3.16. Taxes

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

ii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognised in respect of carried forward tax losses and tax credits. Deferred tax is not recognised for temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction; temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of a history of recent losses, the Company recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realised. Deferred tax assets – unrecognised or recognised, are reviewed at each reporting date and are recognised/ reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Indirect taxes

Goods and services tax /value added taxes paid on acquisition of assets or on incurring expenses

Expenses and assets are recognised net of the goods and services tax/value added taxes paid, except:

- When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of tax included

  The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

3.17. Borrowing cost

Borrowing costs are interest and other costs incurred in connection with the borrowings of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalized as part of the cost of the asset. Other borrowings costs are recognized as an expense in the statement of profit and loss account on an accrual basis using the effective interest method.

3.18. Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

3.19. Earnings per share

The Company reports basic and diluted earnings per equity share in accordance with Ind AS 33, Earnings Per Share. Basic earnings per equity share is computed by dividing net profit / loss after tax attributable to the equity share holders for the year by the weighted average number of equity shares outstanding during the year.

Diluted earnings per equity share is computed and disclosed by dividing the net profit/ loss after tax attributable to the equity share holders for the year after giving impact of dilutive potential equity shares for the year by the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value. Dilutive potential equity shares are determined independently for each period presented.

The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period.

3.20. Cash flow statement

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non–cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing and investing activities of the Company are segregated. Cash flows in foreign currencies are accounted at the actual rates of exchange prevailing at the dates of the transactions.

3.21. Derivative financial instruments

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date

The Company enters into derivative financial instruments to manage its exposure to interest rate risk and foreign exchange rate risk. Derivatives held include foreign exchange forward contracts, interest rate swaps and cross currency interest rate swaps.

Derivatives are initially recognised at fair value on the date when a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain/loss is recognised in the statement of profit and loss immediately unless the derivative is designated and is effective as a hedging instrument, in which event the timing of the recognition in the statement of profit and loss depends on the nature of the hedge relationship. The Company designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges). A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

3.21.1. Hedge accounting policy

The Company makes use of derivative instruments to manage exposures to interest rate and foreign currency. In order to manage particular risks, the Company applies hedge accounting for transactions that meet specific criteria. At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the Company's risk management objective and strategy for undertaking hedge, the hedging / economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the Company would assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

3.21.2. Cash Flow Hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction and could affect profit and loss. For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised directly in OCI within equity (cash flow hedge reserve). The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in Finance Cost in the statement of profit and loss. When the hedged cash flow affects the statement of profit and loss, the effective portion of the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the statement of profit and loss. When a hedging instrument expires, is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in OCI at that time remains in OCI and is recognised when the hedged forecast transaction is ultimately recognised in the statement of profit and loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately transferred to the statement of profit and loss.

The Company's hedging policy only allows for effective hedging relationships to be considered as hedges as per the relevant Ind-AS. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationships exists between the hedged item and hedging instrument. The Company enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item, and so a qualitative and quantitative assessment of effectiveness is performed.

3.22. New and Amended Standards

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 April 2022.
The Ministry of Corporate Affairs has notified Companies (Indian Accounting Standard) Amendment Rules 2022 dated March 23, 2022, which are effective from April 01, 2022.
These amendments do not have a material effect on the Financial Statements of the Company

3.23. Standards issued but not yet effective

The Ministry of Corporate Affairs has notified Companies (Indian Accounting Standards) Amendment Rules, 2023 dated 31 March 2023 to amend the following Ind AS which are effective from 01 April 2023.
(i) Definition of Accounting Estimates - Amendments to Ind AS 8
The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. It has also been clarified how entities use measurement techniques and inputs to develop accounting estimates.
The amendments are effective for annual reporting periods beginning on or after 1 April 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period.
The amendments are not expected to have a material impact on the Company's financial statements.

(ii) Disclosure of Accounting Policies - Amendments to Ind AS 1
The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.
The amendments to Ind AS 1 are applicable for annual periods beginning on or after 1 April 2023. Consequential amendments have been made in Ind AS 107.
The Company is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

(iii) Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to Ind AS 12
The amendments narrow the scope of the initial recognition exception under Ind AS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.
The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations. Consequential amendments have been made in Ind AS 101. The amendments to Ind AS 12 are applicable for annual periods beginning on or after 1 April 2023.
The Company is currently assessing the impact of the amendments.

Notes forming part of the financial statements for the Year ended March 31, 2023

(All amounts are in Indian Rupees in lakhs, unless otherwise stated)

Particulars	As at March 31, 2023	As at March 31, 2022
4. Cash and cash equivalents		
Cash on hand	585.33	504.00
Balances with banks		
(i) In current accounts	13,875.11	4,741.93
(ii) In other deposit accounts (original maturity less than 3 months)	1,19,575.36	56,070.35
Total	**134,035.80**	**61,316.28**

Short-term deposits are made for varying periods of upto three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

Particulars	As at March 31, 2023	As at March 31, 2022
5. Bank Balances other than cash and cash equivalents		
Term deposit with bank	15,326.45	18,562.82
Term deposits :		
Held as credit enhancements for securitisation	8,273.96	7,287.10
Held as cash collateral against specific non-convertible debentures	450.00	825.00
In earmarked accounts		
(i) Unclaimed dividend	-	2.58
Total	**24,050.41**	**26,677.50**

Term deposits and other balances with banks earns interest at fixed rate based on the daily bank deposit rates

Particulars	As at March 31, 2023	As at March 31, 2022
6. Loans (At amotised cost)		
A. Based on nature		
Term Loans		
Gross term loans	691,483.21	506,707.77
Inter-Corporate Deposits*	1,842.24	13,821.88
Gross loans	**693,325.45**	**520,529.65**
Less: Impairment loss allowance	11,105.86	10,288.58
Net loans	**682,219.59**	**510,241.07**
B. Based on security		
Secured by tangible assets	691,483.21	506,707.77
Unsecured	1,842.24	13,821.88
Gross loans	**693,325.45**	**520,529.65**
Less: Impairment loss allowance	11,105.86	10,288.58
Net loans	**682,219.59**	**510,241.07**
C. Based on region		
Loans in India		
Public sector	-	-
Other than public sector	693,325.45	520,529.65
Less: Impairment loss allowance	11,105.86	10,288.58
Net Loans in India	**682,219.59**	**510,241.07**
Loans outside India	**-**	**-**
Less: Impairment loss allowance	-	-
Net Loans outside India	**-**	**-**
Net Loans	**682,219.59**	**510,241.07**

Secured exposures are secured by registered mortgage of immovable property

The Company has not granted any loans or advances to promoters,directors, KMPs and the related parties (as defined under the Companies Act 2013)

*Inter Corporate Deposits as on March 31, 2023 include INR 265.37 lakhs as on March 31, 2023 (March 31, 2022 - INR NIL) provided as credit enhancement for securitisation transaction.

6.1. Analysis of changes in the gross carrying amount and the corresponding (ECL) allowances:

Particulars	As at March 31, 2023				As at March 31, 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
6.1.1. Reconciliation of gross carrying amount is given below:								
Gross Term Loans								
Gross carrying amount opening balance	**421,696.36**	**79,706.41**	**5,305.00**	**506,707.77**	**389,595.07**	**50,423.65**	**4,519.37**	**444,538.09**
Asset derecognised or repaid (Excluding write-off)	(57,758.07)	(9,271.04)	(611.16)	(67,640.27)	(45,171.22)	(6,392.23)	(310.89)	(51,874.34)
Assets partially repaid	(51,654.28)	(8,412.71)	(583.77)	(60,650.76)	(39,313.75)	(6,812.79)	(197.33)	(46,323.87)
Roll forwards to higher stages	(19,980.84)	(5,336.64)	-	(25,317.48)	(55,081.22)	(3,344.33)	-	(58,425.55)
Roll forward from lower stages	-	19,193.88	6,123.59	25,317.47	-	54,257.23	4,168.32	58,425.55
Roll back to higher stages	14,428.63	223.24	-	14,651.87	11,615.00	270.93	-	11,885.93
Roll back from lower stages	-	(14,241.55)	(410.31)	(14,651.86)	-	(11,530.02)	(355.91)	(11,885.93)
Amount written off	-	-	(1,199.22)	(1,199.22)	-	-	(2,926.39)	(2,926.39)
New Assets Originated/ Incremental Accretions	312,107.85	1,388.12	769.72	314,265.69	160,052.48	2,833.97	407.83	163,294.28
Gross carrying amount closing balance	**618,839.65**	**63,249.71**	**9,393.85**	**691,483.21**	**421,696.36**	**79,706.41**	**5,305.00**	**506,707.77**
Inter-Corporate Deposits								
Gross carrying amount opening balance	**13,821.88**	-	-	**13,821.88**	-	-	-	-
Asset derecognised or repaid (Excluding write-off)	(14,377.15)	-	-	(14,377.15)	-	-	-	-
Assets partially repaid	-	-	-	-	-	-	-	-
Roll forwards to higher stages	-	-	-	-	-	-	-	-
Roll forward from lower stages	-	-	-	-	-	-	-	-
Roll back to higher stages	-	-	-	-	-	-	-	-
Roll back from lower stages	-	-	-	-	-	-	-	-
Amount written off	-	-	-	-	-	-	-	-
New assets originated/ Incremental Accretions	2,397.51	-	-	2,397.51	13,821.88	-	-	13,821.88
Gross carrying amount closing balance	**1,842.24**	-	-	**1,842.24**	**13,821.88**	-	-	**13,821.88**
6.1.2. Reconciliation of ECL balance is given below:								
Gross Term Loan								
Impairment loss allowance opening balance	**1,448.46**	**6,989.17**	**1,850.95**	**10,288.58**	**1,276.52**	**6,574.79**	**811.84**	**8,663.15**
New assets originated/ Incremental Accretions	1,247.88	608.25	3,804.34	5,660.47	889.24	5,201.58	3,095.99	9,186.81
Reversal/Utilization/Write off	(665.79)	(3,163.36)	(1,021.10)	(4,850.25)	(717.30)	(4,787.20)	(2,056.88)	(7,561.38)
Impairment loss allowance closing balance	**2,030.55**	**4,434.06**	**4,634.19**	**11,098.80**	**1,448.46**	**6,989.17**	**1,850.95**	**10,288.58**
Inter Corporate Deposits								
Impairment loss allowance opening balance	-	-	-	-	-	-	-	-
New assets originated/ Incremental Accretions	7.06	-	-	7.06	-	-	-	-
Reversal/Utilization	-	-	-	-	-	-	-	-
Amount written off	-	-	-	-	-	-	-	-
Impairment Loss Allowance- closing balance	**7.06**	-	-	**7.06**	-	-	-	-

Particulars	As at March 31, 2023	As at March 31, 2022
7. Investments		
Investments in Government Securities (At amortized Cost)*		
Investment in Treasury Bills	-	7,423.24
Investment in Government of India Fixed Rate Bonds	7,329.64	7,528.39
Investment in Government of India STRIPS	7,131.78	9,866.75
Total	**14,461.42**	**24,818.38**

*Investments are made in India

7.1. Internal Rating Grade (Investments measured at amortised cost)

The table below shows the credit quality and the maximum exposure to credit risk based on the entity's internal credit rating system and year end stage classification

Particulars	As at March 31, 2023				As at March 31, 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Grade								
Low Risk	14,461.42	-	-	14,461.42	24,818.38	-	-	24,818.38
Medium Risk	-	-	-	-	-	-	-	-
High Risk	-	-	-	-	-	-	-	-
Total	**14,461.42**	**-**	**-**	**14,461.42**	**24,818.38**	**-**	**-**	**24,818.38**

7.2. Movement in investments (Investments measured at Amortised cost)

Particulars	As at March 31, 2023				As at March 31, 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening Balance	**24,818.38**	**-**	**-**	**24,818.38**	**-**	**-**	**-**	**-**
New assets purchased	-	-	-	-	28,350.46	-	-	28,350.46
Assets redeemed	(10,356.96)	-	-	(10,356.96)	(3,532.08)	-	-	(3,532.08)
Closing Balance	**14,461.42**	**-**	**-**	**14,461.42**	**24,818.38**	**-**	**-**	**24,818.38**

Particulars	As at March 31, 2023	As at March 31, 2022
8. Other financial assets		
Unsecured, considered good (At Amortized Cost)		
Security deposits	571.95	457.03
Other receivables*	2,640.47	1,340.90
Less: Impairment allowances	-	-
Total	**3,212.42**	**1,797.93**

*Other receivables as on March 31, 2023 include - INR NIL (March 31, 2022- INR 1,280.09 lakhs) incurred towards various expenses in connection with the initial public offer of equity shares of the Company and INR 1,976.79 lakhs as on March 31, 2023 (March 31, 2022- INR NIL) have been provided as credit enhancement for securitisation transaction.

9. Current tax assets (net)		
Advance income tax, net of provision for tax	193.57	220.07
Total	**193.57**	**220.07**
9A. Current tax liability (Net)		
Provision for tax, net of advance income tax paid	539.85	-
Total	**539.85**	**-**

Particulars	As at March 31, 2023	As at March 31, 2022
10. Investment Property		
Land		
Cost or deemed cost (Gross carrying amount)		
Balance at the beginning of the year	3.56	3.56
Acquisitions	-	-
Transfer from property, plant and equipment	-	-
Balance at the end of the year	**3.56**	**3.56**
Accumulated depreciation		
Balance at the beginning of the year	-	-
Depreciation for the year	-	-
Balance at the end of the year	**-**	**-**
Net carrying amounts	**3.56**	**3.56**
Fair value	**7.24**	**7.24**

The Fair value of the investment property is based on the valuation by the registered valuer as per the Rule 2 of the Companies (Registered Valuer and Valuations Rules), 2017. There were no immovable property where the title deeds of the property are not held in the name of the Company.

Price per square feet is the signifiant unobservable input iused for the fair valuation of the immovable property. The fair value changes by INR 0.70 Lakhs as at March 31, 2023, at a sensitivity of 10%.(March 31, 2022- INR 0.70 lakhs)

11. Other non-financial assets		
Capital advances	542.83	98.18
Prepaid expenses	1,218.68	865.80
Balance with government authorities	178.92	319.76
Total	**1,940.43**	**1,283.74**

12. Property, plant and equipment

Particulars	Furniture and fittings	Computers and Accessories	Office Equipment	Vehicles	Leasehold Improvements	Total
Cost or deemed cost (gross carrying amount)						
As at March 31, 2021	**729.00**	**952.53**	**317.49**	**39.26**	**405.00**	**2,443.28**
Additions	187.12	494.55	156.39	-	9.45	847.51
Disposals	8.19	-	0.66	-	-	8.85
As at March 31, 2022	**907.93**	**1,447.08**	**473.22**	**39.26**	**414.45**	**3,281.94**
Additions	376.86	515.80	227.28	-	43.80	1,163.74
Disposals	22.72	0.93	0.63	0.21	-	24.49
As at March 31, 2023	**1,262.07**	**1,961.95**	**699.87**	**39.05**	**458.25**	**4,421.19**
Accumulated depreciation						
As at March 31, 2021	**319.76**	**739.96**	**185.99**	**30.37**	**321.60**	**1,597.68**
Depreciation for the year	122.95	236.16	75.78	2.47	39.07	476.43
Depreciation on disposals	5.77	0.34	0.51	-	-	6.62
As at March 31, 2022	**436.94**	**975.78**	**261.26**	**32.84**	**360.67**	**2,067.49**
Depreciation for the year	170.57	453.28	166.11	1.69	38.92	830.57
Depreciation on disposals	18.66	0.88	0.34	-	-	19.88
As at March 31, 2023	**588.85**	**1,428.18**	**427.03**	**34.53**	**399.59**	**2,878.18**
Carrying amount (net)						
As at March 31, 2022	**470.99**	**471.30**	**211.96**	**6.42**	**53.78**	**1,214.45**
As at March 31, 2023	**673.22**	**533.77**	**272.84**	**4.52**	**58.66**	**1,543.01**

Particulars	Software	Total
13. Other Intangible assets		
Cost or deemed cost (gross carrying amount)		
As at March 31, 2021	**405.98**	**405.98**
Additions	15.35	15.35
Disposals	-	-
As at March 31, 2022	**421.33**	**421.33**
Additions	49.66	49.66
Disposals	-	-
As at March 31, 2023	**470.99**	**470.99**
Accumulated amortisation		
As at March 31, 2021	**215.68**	**215.68**
Amortisation for the year	116.91	116.91
Amortisation on disposals	-	-
As at March 31, 2022	**332.59**	**332.59**
Amortisation for the year	40.69	40.69
Amortisation on disposals	-	-
As at March 31, 2023	**373.28**	**373.28**
Carrying amount (net)		
As at March 31, 2022	**88.74**	**88.74**
As at March 31, 2023	**97.71**	**97.71**

Particulars	As at March 31, 2023		As at March 31, 2022	
	Notional Amount	Fair Value of Liabilities	Notional Amount	Fair Value of Liabilities
14. Derivative Financial Instruments (FVTOCI)				
Part I				
Other Derivatives-Cross Currency Swap	7,591.00	346.09	7,591.00	138.92
Total	**7,591.00**	**346.09**	**7,591.00**	**138.92**
Part II				
Included in above (Part-I) are derivatives held for hedging and risk management purposes as follows:				
Cash Flow Hedging-Cross Currency Swap	7,591.00	346.09	7,591.00	138.92
Total	**7,591.00**	**346.09**	**7,591.00**	**138.92**

The Notional amounts in the above table refers to the foreign currency borrowing on which the Company has hedged the risk of foreign currency fluctuations.

The Company has entered into a Derivative Financial Instrument, with a scheduled bank with Investment grade credit rating. Derivatives are fair valued using inputs that are directly or indirectly observable in market place.

The Asset Liability Management Committee and Business Resource Committee periodically monitors and reviews the risks involved.

Particulars	As at March 31, 2023	As at March 31, 2022
15. Payables		
15.1. Trade payables		
Total outstanding dues of micro and small enterprises	-	-
Total outstanding dues of creditors other than micro and small enterprises	2,009.01	1,300.31
Total	**2,009.01**	**1,300.31**
To related parties	-	-
Others	2,009.01	1,300.31
Total	**2,009.01**	**1,300.31**

Particulars	Unbilled (Not Due)	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
15.2. Trade payables (Ageing Schedule)						
The following schedules reflect the ageing of trade payables with respect to the due date of payment						
As at March 31, 2023						
(i) MSME	-	-	-	-	-	-
(ii) Others	1,566.37	442.64	-	-	-	2,009.01
(iii) Disputed Dues - MSME	-	-	-	-	-	-
(iv) Disputed Dues - Others	-	-	-	-	-	-
Total	**1,566.37**	**442.64**	**-**	**-**	**-**	**2,009.01**
As at March 31, 2022						
(i) MSME	-	-	-	-	-	-
(ii) Others	1,028.92	271.39	-	-	-	1,300.31
(iii) Disputed Dues - MSME	-	-	-	-	-	-
(iv) Disputed Dues - Others	-	-	-	-	-	-
Total	**1,028.92**	**271.39**	**-**	**-**	**-**	**1,300.31**

Based on the information received from the suppliers, the management has identified the enterprises which has provided services to the Company and which qualify under the definition of micro, medium and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006 ("MSMED Act"). Such determination and identification is for the purpose of presentation under this disclosure has been done on the basis of the information received and available with the Company, which has been solely relied upon by the auditors

Particulars	As at March 31, 2023	As at March 31, 2022
16. Debt securities (refer note 16.1)		
Secured debentures		
Nil, (March 31, 2022 - 55) 12.50% redeemable, non-convertible debentures of INR 100 each	-	0.80
Nil, (March 31, 2022 - 250) 9.50% redeemable, non-convertible debentures of INR 10 lakh each	-	2,586.54
Nil, (March 31, 2022 - 2,000) 10.30% redeemable, non-convertible debentures of INR 10 lakh each	-	20,022.58
Nil, (March 31, 2022 - 2,000) redeemable, non-convertible debentures of INR 1 lakh each*	-	2,836.96
Nil, (March 31, 2022 - 1,250) 11.88% redeemable, non-convertible debentures of INR 10 lakh each	-	12,637.71
Nil, (March 31, 2022 - 750) redeemable, non-convertible debentures of INR 10 lakh each*	-	8,406.97
Nil, (March 31, 2022 - 500) redeemable, non-convertible debentures of INR 10 lakh each*	-	5,603.32
Nil, (March 31, 2022 - 2,500) redeemable, non-convertible debentures of INR 1 lakh each*	-	2,932.42
1,50,00,000, (March 31, 2022 - 1,50,00,000) 12.75% redeemable, non-convertible debentures of INR 7.5 each	1,125.39	1,500.52
500, (March 31, 2022 - 500) 11.00% redeemable, non-convertible debentures of INR 10 lakh each	5,105.48	5,105.48
150, (March 31, 2022 - 150) 11.00% redeemable, non-convertible debentures of INR 10 lakh each	1,531.64	1,531.64
500, (March 31, 2022 - 500) 11.00% redeemable, non-convertible debentures of INR 10 lakh each	5,105.48	5,105.48
1,500 (March 31, 2022 - 1,500) redeemable, non-convertible debentures of INR 10 lakh each*	18,084.83	16,591.39
150, (March 31, 2022- 150) 10.50% redeemable, non-convertible debentures of INR 10 lakh each	1,632.90	1,632.90
250, (March 31, 2022 - 250) 11.00% redeemable, non-convertible debentures of INR 10 lakh each	2,515.07	2,515.07
2,000, (March 31, 2022 - 2,000) redeemable, non-convertible debentures of INR 1 lakh each*	2,519.80	2,278.30
700, (March 31, 2022 - 700) 10.91% redeemable, non-convertible debentures of INR 10 lakh each	7,004.43	7,004.43
300,00,000 , (March 31, 2022 - 300,00,000) 11.40% redeemable, non-convertible debentures of INR 10 each	3,001.09	3,001.06
4,900, (March 31, 2022-Nil) 9.20% redeemable, non-convertible debentures of INR 1 lakh each	4,944.46	-
Total	**52,570.57**	**101,293.57**
Less: Unamortised processing fee	(87.57)	(440.21)
Total	**52,483.00**	**100,853.36**
Debts securities in India	52,483.00	100,853.36
Debts securities outside India	-	-
Total	**52,483.00**	**100,853.36**

* Coupon rates are linked to performance of specified indices including market indicators over the period of the debentures.

Debt securities aggregating to INR 1,115.51 Lakhs (INR 1,484.18 Lakhs in March 31, 2022) has been guaranteed by promoter, Mr. D Lakshmipathy

Particulars	Repayment terms	Tenor	Earliest installment date	As at March 31, 2023	As at March 31, 2022
16.1. Details of terms of redemption/repayment and security provided in respect of debt securities and borrowings					
Secured debentures					
Nil, (March 31, 2022 - 55) 12.50% redeemable, non-convertible debentures of INR 100 each	Principal payment frequency: Entire principal repayable at maturity. Coupon payment frequency: Entire interest repayable at maturity	36 Months	November 19, 2014	-	0.80
Nil, (March 31, 2022 - 250) 9.50% redeemable, non-convertible debentures of INR 10 lakh each	Principal payment frequency: Entire principal repayable at maturity. Coupon payment frequency: Yearly	18 Months	May 19, 2022	-	2,586.54
Nil, (March 31, 2022 - 2,000) 10.30% redeemable, non-convertible debentures of INR 10 lakh each	Principal payment frequency: Repayable in 4 quarterly installments	60 Months	June 28, 2022	-	20,022.58
Nil, (March 31, 2022 - 2,000) redeemable, non-convertible debentures of INR 1 lakh each*	Principal payment frequency: Entire principal repayable at maturity. Coupon payment frequency: Entire interest repayable at maturity	38 Months	July 3, 2022	-	2,836.96
Nil, (March 31, 2022 - 1,250) 11.88% redeemable, non-convertible debentures of INR 10 lakh each	Principal payment frequency: Entire principal repayable at maturity Coupon payment frequency: Half Yearly	36 Months	August 28, 2022	-	12,637.71
Nil, (March 31, 2022 - 750) redeemable, non-convertible debentures of INR 10 lakh each*	Principal payment frequency: Entire principal repayable at maturity. Coupon payment frequency: Entire interest repayable at maturity	24 Months	December 16, 2022	-	8,406.97
Nil, (March 31, 2022 - 500) redeemable, non-convertible debentures of INR 10 lakh each*	Principal payment frequency: Entire principal repayable at maturity. Coupon payment frequency: Entire interest repayable at maturity	24 Months	December 17, 2022	-	5,603.32
Nil, (March 31, 2022 - 2,500) redeemable, non-convertible debentures of INR 1 lakh each*	Principal payment frequency: Entire principal repayable at maturity. Coupon payment frequency:Entire interest repayable at maturity	30 Months	February 28, 2023	-	2,932.42
1,50,00,000, (March 31, 2022 - 1,50,00,000) 12.75% redeemable, non-convertible debentures of INR 7.5 each	Principal payment frequency: Repayable yearly in 4 installments. Coupon payment frequency: Quarterly	72 Months	March 31, 2023	1,125.39	1,500.52
500, (March 31, 2022 - 500) 11.00% redeemable, non-convertible debentures of INR 10 lakh each	Principal payment frequency: Entire principal repayable at maturity. Coupon payment frequency: Quarterly	33 Months	April 21, 2023	5,105.48	5,105.48
150, (March 31, 2022 - 150) 11.00% redeemable, non-convertible debentures of INR 10 lakh each	Principal payment frequency: Entire principal repayable at maturity. Coupon payment frequency: Quarterly	33 Months	April 21, 2023	1,531.64	1,531.64
500, (March 31, 2022 - 500) 11.00% redeemable, non-convertible debentures of INR 10 lakh each	Principal payment frequency: Entire principal repayable at maturity. Coupon payment frequency: Quarterly	33 Months	April 21, 2023	5,105.48	5,105.48
1,500 (March 31, 2022 - 1,500) redeemable, non-convertible debentures of INR 10 lakh each*	Principal payment frequency: Entire principal repayable at maturity. Coupon payment frequency: Entire interest repayable at maturity	27 Months	April 30, 2023	18,084.83	16,591.39

Particulars	Repayment terms	Tenor	Earliest installment date	As at March 31, 2023	As at March 31, 2022
150, (March 31, 2022- 150) 10.50% redeemable, non-convertible debentures of INR 10 lakh each	Principal payment frequency: Entire principal repayable at maturity. Coupon payment frequency: Yearly	36 Months	May 26, 2023	1,632.90	1,632.90
250, (March 31, 2022 - 250) 11.00% redeemable, non-convertible debentures of INR 10 lakh each	Principal payment frequency: Entire principal repayable at maturity. Coupon payment frequency: Quarterly	36 Months	June 12, 2023	2,515.07	2,515.07
2,000, (March 31, 2022 - 2,000) redeemable, non-convertible debentures of INR 1 lakh each*	Principal payment frequency: Entire principal repayable at maturity. Coupon payment frequency: Entire interest repayable at maturity	30 Months	June 15, 2023	2,519.80	2,278.30
700, (March 31, 2022 - 700) 10.91% redeemable, non-convertible debentures of INR 10 lakh each	Principal payment frequency: Entire principal repayable at maturity. Coupon payment frequency: Half Yearly	36 Months	September 30, 2023	7,004.43	7,004.43
300,00,000 , (March 31, 2022 - 300,00,000) 11.40% redeemable, non-convertible debentures of INR 10 each#	Principal payment frequency: Entire principal repayable at maturity. Coupon payment frequency: Monthly	60 Months	April 11, 2024	3,001.09	3,001.06
4,900, (March 31, 2022-Nil) 9.20% redeemable, non-convertible debentures of INR 1 lakh each	Principal payment frequency: Entire principal repayable at maturity. Coupon payment frequency: Yearly	38 Months	February 24, 2024	4,944.46	-
Total				**52,570.57**	**101,293.57**

All debentures are secured by an exclusive first charge on book debts with security cover ranging from 1 to 1.25 times of the outstanding amount at any point in time.

Secured by pari passu charge on immovable property.

* Coupon rates are linked to performance of specified indices including market indicators over the period of the debentures.

Particulars	As at March 31, 2023	As at March 31, 2022
17. Borrowings (other than debt securities) (refer note 17.1)		
At amortised cost		
Term loans (secured)		
From banks	240,224.82	81,817.77
From other financial institutions	25,110.17	16,051.64
Borrowings under Securitisation (secured)	100,169.18	49,716.69
Loans repayable on demand (secured)		
From banks	85.19	765.61
Term loans from others parties (unsecured)		
External Commercial Borrowings	8,217.00	7,584.45
Total	**373,806.36**	**155,936.16**
Less: Unamortised processing fee	(1,561.45)	(906.41)
Total	**372,244.91**	**155,029.75**
Borrowings in India	364,112.63	147,558.74
Borrowings outside India	8,132.28	7,471.01
Total	**372,244.91**	**155,029.75**

Loans repayable on demand includes the cash credit and working capital demand loans from banks which are secured by specific charge on the identified receivables. As at March 31, 2023, the rate of interest across the cash credit and the working capital demand loans were in the range of 8.75 % p.a. to 10.20 % p.a. (7.95% p.a. to 11.00% p.a. on March 31, 2022). The Company has not defaulted in the repayment of the borrowings (including debt securities) and was regular in the repayments during the year.

Borrowings other than debt security aggregating to INR 77,305.36 Lakhs (INR 75,744.19 Lakhs in March 31, 2022) has been guaranteed by promoter, Mr. D Lakshmipathy

The Company has used the borrowings from the bank and financial institution for the specified purpose as per the agreement with the lender.

The quarterly returns/statements of current assets filed by the Company with the banks or financial institutions in relation to the secured borrowings wherever applicable, are in agreement with the books of account.

Particulars	Repayment terms	Tenor	Earliest installment date	As at March 31, 2023	As at March 31, 2022
17.1 Details of terms of redemption/repayment and security provided in respect of borrowings (other than debt securities)					
Term loans from banks					
Term Loan 1	Repayable in 60 Monthly installments	60 Months	December 5, 2018	134.12	335.29
Term Loan 2	Repayable in 60 Monthly installments	60 Months	March 3, 2019	701.94	1,466.12
Term Loan 3	Repayable in 20 quarterly installments	60 Months	June 30, 2019	994.58	1,994.91
Term Loan 4	Repayable in 36 Monthly installments	36 Months	June 30, 2019	-	166.67
Term Loan 5	Repayable in 48 Monthly installments	48 Months	July 29, 2019	93.75	468.75
Term Loan 6	Repayable in 36 Monthly installments	36 Months	September 25, 2019	-	277.78
Term Loan 7	Repayable in 57 Monthly installments	60 Months	September 30, 2019	244.98	455.44
Term Loan 8	Repayable in 33 Monthly installments	36 Months	December 30, 2019	-	378.89
Term Loan 9	Repayable in 60 Monthly installments	60 Months	January 30, 2020	1,049.96	1,649.96
Term Loan 10	Repayable in 60 Monthly installments	62 Months	January 30, 2020	7,118.76	11,188.27
Term Loan 11	Repayable in 36 Monthly installments	36 Months	February 5, 2020	-	833.54
Term Loan 12	Repayable in 36 Monthly installments	36 Months	March 5, 2020	-	646.84
Term Loan 13	Repayable in 60 Monthly installments	60 Months	April 30, 2020	1,481.31	2,215.60
Term Loan 14	Repayable in 36 Monthly installments	36 Months	May 1, 2020	-	1,456.22
Term Loan 15	Repayable in 12 Quarterly installments	37 Months	May 26, 2020	-	633.41
Term Loan 16	Repayable in 57 Monthly installments	60 Months	June 25, 2020	1,762.43	2,718.22
Term Loan 17	Repayable in 34 Monthly installments	36 Months	August 16, 2020	205.93	1,441.54
Term Loan 18	Repayable in 34 Monthly installments	36 Months	September 30, 2020	353.04	1,765.15
Term Loan 19	Repayable in 46 Monthly installments	48 Months	November 25, 2020	923.91	1,576.09
Term Loan 20	Repayable in 36 Monthly installments	36 Months	November 30, 2020	-	1,319.80
Term Loan 21	Repayable in 36 Monthly installments	36 Months	December 10, 2020	555.56	1,318.49
Term Loan 22	Repayable in 34 Monthly installments	36 Months	December 31, 2020	336.72	2,333.32
Term Loan 23	Repayable in 36 Monthly installments	36 Months	January 31, 2021	250.00	583.33
Term Loan 24	Repayable in 48 Monthly installments	48 Months	February 5, 2021	1,060.17	1,639.89
Term Loan 25	Repayable in 18 quarterly installments	60 Months	February 28, 2021	1,995.00	2,883.00
Term Loan 26	Repayable in 60 Monthly installments	60 Months	March 3, 2021	1,177.79	1,578.85
Term Loan 27	Repayable in 34 Monthly installments	36 Months	March 23, 2021	661.94	1,544.50
Term Loan 28	Repayable in 36 Monthly installments	36 Months	April 30, 2021	166.67	333.33
Term Loan 29	Repayable in 36 Monthly installments	36 Months	April 30, 2021	2,492.31	5,001.19
Term Loan 30	Repayable in 48 Monthly installments	48 Months	May 1, 2021	3,150.21	4,662.32
Term Loan 31	Repayable in 33 Monthly installments	36 Months	May 31, 2021	746.06	1,655.15
Term Loan 32	Repayable in 32 Monthly installments	35 Months	July 31, 2021	926.36	1,858.79
Term Loan 33	Repayable in 36 Monthly installments	36 Months	January 31, 2022	2,915.00	4,583.00
Term Loan 34	Repayable in 48 Monthly installments	48 Months	March 15, 2022	1,458.33	1,958.33
Term Loan 35	Repayable in 34 Monthly installments	36 Months	March 30, 2022	1,235.58	1,941.63
Term Loan 36	Repayable in 60 Monthly installments	60 Months	April 30, 2022	6,001.44	7,501.80
Term Loan 37	Repayable in 48 Monthly installments	48 Months	May 4, 2022	2,312.50	-
Term Loan 38	Repayable in 72 Monthly installments	74 Months	May 31, 2022	12,708.33	2,501.27

Particulars	Repayment terms	Tenor	Earliest installment date	As at March 31, 2023	As at March 31, 2022
Term Loan 39	Repayable in 57 Monthly installments	60 Months	July 31, 2022	4,169.45	4,951.08
Term Loan 40	Repayable in 34 Monthly installments	36 Months	September 21, 2022	3,177.21	-
Term Loan 41	Repayable in 48 Monthly installments	48 Months	October 15, 2022	4,375.00	-
Term Loan 42	Repayable in 48 Monthly installments	48 Months	October 29, 2022	8,752.04	-
Term Loan 43	Repayable in 10 quarterly installments	33 Months	December 30, 2022	1,600.00	-
Term Loan 44	Repayable in 46 Monthly installments	48 Months	December 31, 2022	6,844.00	-
Term Loan 45	Repayable in 60 Monthly installments	60 Months	December 31, 2022	19,146.85	-
Term Loan 46	Repayable in 57 Monthly installments	60 Months	January 3, 2023	4,736.90	-
Term Loan 47	Repayable in 48 Monthly installments	48 Months	January 6, 2023	4,688.48	-
Term Loan 48	Repayable in 48 Monthly installments	48 Months	January 26, 2023	14,062.50	-
Term Loan 49	Repayable in 81 Monthly installments	84 Months	January 28, 2023	4,815.94	-
Term Loan 50	Repayable in 60 Monthly installments	66 Months	March 26, 2023	9,833.00	-
Term Loan 51	Repayable in 16 quarterly installments	48 Months	March 28, 2023	9,375.00	-
Term Loan 52	Repayable in 12 quarterly installments	36 Months	March 31, 2023	6,418.30	-
Term Loan 53	Repayable in 60 Monthly installments	60 Months	April 30, 2023	20,005.40	-
Term Loan 54	Repayable in 20 quarterly installments	60 Months	June 30, 2023	10,002.47	-
Term Loan 55	Repayable in 16 quarterly installments	48 Months	June 30, 2023	10,000.00	-
Term Loan 56	Repayable in 54 Monthly installments	60 Months	July 28, 2023	7,500.00	-
Term Loan 57	Repayable in 10 quarterly installments	33 Months	July 29, 2023	3,000.00	-
Term Loan 58	Repayable in 19 quarterly installments	60 Months	September 30, 2023	7,507.60	-
Term Loan 59	Repayable in 78 Monthly installments	84 Months	September 30, 2023	25,000.00	-
Total				**240,224.82**	**81,817.77**

All the above loans are secured by an exclusive first charge on book debts with security cover ranging from 1.10 to 1.25 times of the outstanding amount at any point in time. As at March 31, 2023, the rate of interest across term loans from banks was in the range of 8.25% p.a to 12.25% p.a (March 31, 2022- 7.95% p.a to 10.90% p.a)

Particulars	Repayment terms	Tenor	Earliest installment date	As at March 31, 2023	As at March 31, 2022
Term loans from others					
Term loans from others 1	Repayable in 48 Monthly installments	48 Months	February 11, 2018	-	520.96
Term loans from others 2	Repayable in 42 Monthly installments	48 Months	April 30, 2019	-	142.89
Term loans from others 3	Repayable in 60 Monthly installments	60 Months	May 1, 2019	244.48	487.85
Term loans from others 4	Repayable in 20 quarterly installments	63 Months	September 1, 2019	333.01	606.39
Term loans from others 5	Repayable in 36 Monthly installments	36 Months	January 22, 2020	-	281.27
Term loans from others 6	Repayable in 36 Monthly installments	36 Months	February 22, 2020	-	933.57
Term loans from others 7	Repayable in 48 Monthly installments	48 Months	March 5, 2020	180.06	376.29
Term loans from others 8	Repayable in 36 Monthly installments	36 Months	January 20, 2021	1,253.98	2,926.02
Term loans from others 9	Repayable in 36 Monthly installments	36 Months	January 31, 2021	750.20	1,750.41
Term loans from others 10	Repayable in 3 annual installments	36 Months	February 1, 2021	-	1,250.00
Term loans from others 11	Repayable in 30 Monthly installments	30 Months	February 3, 2021	597.38	2,125.56
Term loans from others 12	Repayable in 16 quarterly installments	48 Months	April 1, 2021	-	1,500.00
Term loans from others 13	Repayable in 36 Monthly installments	36 Months	April 30, 2021	662.98	1,260.76
Term loans from others 14	Repayable in 16 quarterly installments	48 Months	June 1, 2021	1,250.00	1,889.69
Term loans from others 15	Repayable in 48 Monthly installments	48 Months	December 5, 2022	7,835.76	-
Term loans from others 16	Repayable in 61 quarterly installments	61 Months	May 5, 2023	5,002.32	-
Term loans from others 17	Repayable in 11 quarterly installments	36 Months	July 1, 2023	7,000.00	-
Total				**25,110.17**	**16,051.65**

All the above loans are secured by an exclusive first charge on book debts with security cover ranging from 1.10 to 1.20 times of the outstanding amount at any point in time.

As at March 31, 2023, the rate of interest across term loans from others was in the range of 9.15% p.a to 11.75% p.a (March 31, 2022- 9.50% p.a to 11.75% p.a).

Particulars	Repayment terms	Tenor	Earliest installment date	As at March 31, 2023	As at March 31, 2022
Borrowings Under Securitization					
Borrowings Under Securitization 1	Repayable in 59 Monthly installments	59 Months	September 17, 2019	188.08	2,170.97
Borrowings Under Securitization 2	Repayable in 64 Monthly installments	65 Months	February 17, 2020	-	3,392.64
Borrowings Under Securitization 3	Repayable in 40 Monthly installments	40 Months	March 21, 2020	-	778.51
Borrowings Under Securitization 4	Repayable in 60 Monthly installments	60 Months	May 15, 2020	1,978.90	4,355.36
Borrowings Under Securitization 5	Repayable in 60 Monthly installments	60 Months	July 15, 2020	2,036.66	4,375.66
Borrowings Under Securitization 6	Repayable in 65 Monthly installments	65 Months	August 14, 2020	1,479.10	3,831.51
Borrowings Under Securitization 7	Repayable in 55 Monthly installments	55 Months	November 20, 2020	2,286.82	4,654.53
Borrowings Under Securitization 8	Repayable in 48 Monthly installments	48 Months	January 15, 2021	402.74	1,303.06
Borrowings Under Securitization 9	Repayable in 59 Monthly installments	60 Months	January 16, 2021	803.14	2,321.17
Borrowings Under Securitization 10	Repayable in 61 Monthly installments	61 Months	February 18, 2021	875.52	2,027.59
Borrowings Under Securitization 11	Repayable in 60 Monthly installments	61 Months	February 21, 2021	5,983.01	9,966.88
Borrowings Under Securitization 12	Repayable in 53 Monthly installments	53 Months	April 16, 2021	2,756.65	5,572.66
Borrowings Under Securitization 13	Repayable in 57 Monthly installments	57 Months	April 21, 2021	3,121.59	4,966.12
Borrowings Under Securitization 14	Repayable in 64 Monthly installments	64 Months	January 17, 2023	6,984.80	-
Borrowings Under Securitization 15	Repayable in 58 Monthly installments	58 Months	January 17, 2023	6,590.32	-
Borrowings Under Securitization 16	Repayable in 60 Monthly installments	60 Months	January 18, 2023	16,291.95	-

Particulars	Repayment terms	Tenor	Earliest installment date	As at March 31, 2023	As at March 31, 2022
Borrowings Under Securitization 17	Repayable in 64 Monthly installments	64 Months	January 20, 2023	4,615.03	-
Borrowings Under Securitization 18	Repayable in 60 Monthly installments	60 Months	April 22, 2023	34,400.01	-
Borrowings Under Securitization 19	Repayable in 60 monthly installments	64 Months	April 22, 2023	9,374.86	-
Total				**100,169.18**	**49,716.69**

*Refer Note No 48-AH, for security and credit enhancement details pertaining to borrowings from securitisation arrangements.

As at March 31, 2023, the rate of interest across loans from Securitisation was in the range of 8.50% p.a to 11.00% p.a (March 31, 2022- 8.55% p.a to 11.00% p.a)

Term loans from others parties (unsecured) - (External Commercial Borrowing)					
External Commercial Borrowing-1	Repayable in 5 Half yearly installments	60 months	March 31, 2025	8,217.00	7,584.45
Total				**8,217.00**	**7,584.45**

As at March 31, 2023, the rate of interest on External Commercial Borrowing was 4.20% p.a (March 31, 2022- 4.20% p.a)

Particulars	As at March 31, 2023	As at March 31, 2022
18. Other financial liabilities		
Unpaid dividends	-	2.58
Lease liability	2,986.05	2,113.32
Employee related payables	2,975.86	1,895.32
Others	108.10	35.61
Total	**6,070.01**	**4,046.83**
19. Provisions		
Provision for employee benefits		
Provision for gratuity (Refer Note:40)	384.33	339.64
Provision for compensated absences	773.84	560.39
Total	**1,158.17**	**900.03**
20. Other non-financial liabilities		
Statutory dues payable	1,342.88	902.23
Others*	481.49	100.01
Total	**1,824.37**	**1,002.24**

*Includes unspent corporate social responsibility fund amounting to INR 481.49 lakhs (March 31, 2022 :INR 100.00 lakhs)

21. Equity share capital		
Authorised		
55,000,000 shares of INR 1 each (March 31, 2022 - 55,000,000) of INR 1 each	5,500.00	5,500.00
Issued, subscribed and paid up		
291,366,120 shares (March 31, 2022 - 291,343,120) of INR 1 each	2,913.43	2,913.43
Total	**2,913.66**	**2,913.43**

Note: During the year ended March 31, 2022, the Board of Directors of the Company in its meeting held on September 08, 2021 and shareholders in the Extraordinary General Meeting held on October 08, 2021 approved the sub-division of shares from INR 10 per share to INR 1 per share.

The Company completed an Initial Public Offer ("IPO") of 335,12,901 equity shares of face value of INR 1 each at an issue price of INR 474 per equity share aggregating INR 158,851.15 lakhs, through an offer for sale by selling shareholders. The equity shares of the Company were listed on BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE") on November 21, 2022. The funds raised from the IPO were remitted to the Selling Shareholders (net of offer expenses borne by the Selling Shareholders) as the IPO was entirely an offer for sale by the Selling Shareholders.

Particulars	As at March 31, 2023		As at March 31, 2022	
	Number of shares	Amount in INR Lakhs	Number of shares	Amount in INR Lakhs
Reconciliation of equity shares outstanding at the beginning and at the end of the reporting year				
As at beginning of the year	**291,343,120**	**2,913.43**	**27,190,741**	**2,564.49**
Additional shares pursuant to share split issued during the year (Refer Note:38)	-	-	244,716,669	-
Equity Shares issued in exercise of employee stock options	23,000	0.23	1,718,000	17.18
Preferential issue of equity shares	-	-	17,717,710	177.18
Receipt of pending call money on partly paid up equity shares	-	-	-	154.58
As at the end of the year	**291,366,120**	**2,913.66**	**291,343,120**	**2,913.43**

Terms/rights attached to Equity Shares:

The Company has a single class of equity shares. Accordingly all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time subject to payment of dividend to preference shareholders. Dividends are paid in Indian Rupees. Dividend proposed by the board of directors, if any, is subject to the approval of the shareholders at the General Meeting, except in the case of interim dividend.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Equity Shares reserverd for issue under options

Information relating to Employee Stock Option Schemes including the details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in note 41.

As at March 31, 2023						
Name of Promoter	**Number of Shares at the begnning of the year**	**Additional shares pursuant to share split issued during the year**	**Movement during the year**	**Numbers of Shares at the end of the year**	**% of Total Shares**	**% of Change during the year**
Promoter Holdings						
Fully paid up shares						
(i) D. Lakshmipathy	36,037,450	-	(5,346,772)	30,690,678	10.53%	-14.84%
(ii) L. Hema	20,890,600	-	-	20,890,600	7.17%	0.00%
(iii) L. Shritha	200,000	-	-	200,000	0.07%	0.00%
(iv) Matrix Partners India Investment Holding II LLC	41,009,990	-	(16,863,327)	24,146,663	8.29%	-41.12%
(v) SCI Investments V	25,696,500	-	(2,851,013)	22,845,487	7.84%	-11.09%
Sub-Total	**123,834,540**	**-**	**(25,061,112)**	**98,773,428**	**33.90%**	**-20.24%**
Grand Total	**123,834,540**	**-**	**-25,061,112**	**98,773,428**	**33.90%**	**-20.24%**

As at March 31, 2022						
Name of Promoter	**Number of Shares at the begnning of the year**	**Additional shares pursuant to share split issued during the year**	**Movement during the year**	**Numbers of Shares at the end of the year**	**% of Total Shares**	**% of Change during the year**
Fully paid up shares						
(i) D. Lakshmipathy	2,185,771	19,671,939	14,179,740	36,037,450	12.37%	648.73%
(ii) L. Hema	2,089,060	18,801,540	-	20,890,600	7.17%	-
(iii) L. Shritha	20,000	180,000	-	200,000	0.07%	-
(iv) Matrix Partners India Investment Holding II LLC	4,100,999	36,908,991	-	41,009,990	14.08%	-
(v) SCI Investments V	25,696,500	23,126,850	-	25,696,500	8.82%	-
Sub-Total	**10,965,480**	**98,689,320**	**14,179,740**	**123,834,540**	**42.50%**	**129.31%**
Partly paid up shares						
(i) D. Lakshmipathy	15,250,000	-	(15,250,000)	-	-	-100.00%
Sub-Total	**15,250,000**	**-**	**(15,250,000)**	**-**	**-**	**-100.00%**
Grand Total	**26,215,480**	**98,689,320**	**(1,070,260)**	**123,834,540**	**42.50%**	**-4.08%**

The determination /identification of promoters for the purpose of presentation under this disclosure has been done on the basis of information available with the Company which has been solely relied upon by the auditors.

Name of shareholder	**As at March 31, 2023**		**As at March 31, 2022**	
	Number of shares	**% of total shares in class**	**Number of shares**	**% of total shares in class**
Details of shareholders holding more than 5% shares in the Company				
TPG Asia VII SF Pte. Ltd.	50,752,693	17.42%	61,106,730	20.97%
Matrix Partners India Investment Holdings II, LLC	24,146,663	8.29%	41,009,990	14.08%
D. Lakshmipathy	30,690,678	10.53%	36,037,450	12.37%
Norwest Venture Partners X - Mauritius	23,567,912	8.09%	29,748,060	10.21%
SCI Investments V	22,845,487	7.84%	25,696,500	8.82%
L. Hema	20,890,600	7.17%	20,890,600	7.17%
Sirius II Pte Ltd	17,593,990	6.04%	17,593,990	6.04%

Particulars	As at March 31, 2023	As at March 31, 2022
22. Other Equity		
Statutory reserve	39,182.52	27,112.60
Share options outstanding account	6,120.40	3,405.80
Securities premium	231,436.81	231,361.87
General reserve	719.60	719.60
Retained earnings	153,788.67	105,616.78
Cash flow hedge reserve	(208.19)	(94.98)
Total	**431,039.81**	**368,121.67**

i. Statutory reserve

Opening balance	27,112.60	18,041.71
Amount transferred from surplus in the statement of profit and loss	12,069.92	9,070.89
Closing balance	**39,182.52**	**27,112.60**

As per Section 45-IC of the Reserve Bank of India Act, 1934, the Company is required to create a reserve fund at the rate of 20% of the net profit after tax of the Company every year. Accordingly, the Company has transferred an amount of INR 12,069.92 lakhs (March 31, 2022: INR 9,070.89 lakhs), out of the profit after tax for the year ended March 31, 2022 to Statutory Reserve.

Five-Star Housing Finance Private Limited, the wholly owned subsidiary amalgamated with the Company with appointed date under the aforesaid Scheme as April 1, 2019. The erstwhile wholly owned subsidiary has surrendered its Certificate of Registration to carry on the business of housing finance institution to National Housing Bank (NHB) on June 5, 2020. The statutory reserve maintained by the wholly owned subsidiary under section 29C of the National Housing Bank Act, 1987 was subsumed in the statutory reserve maintained by the Company.

No appropriation of any sum from this reserve fund shall be made by the non-banking financial Company except for the purpose as may be specified by RBI.

ii. Share options outstanding account

Opening balance	3,405.80	1,795.27
Share based payment expense	2,764.19	3,544.18
Less : Transfer to securities premium	(49.59)	(1,933.65)
Closing balance	**6,120.40**	**3,405.80**

The amount represents reserve created to the extent of granted options based on the Employees Stock Option Schemes. Under Ind AS 102, fair value of the options granted is to be expensed out over the life of the vesting period as employee compensation costs reflecting period of receipt of service. Also refer note 42.

iii. Securities premium

Opening balance	231,361.87	139,234.46
Premium on shares issued during the period	25.35	90,363.86
Transfer to securities premium on exercise of ESOP	49.59	1,933.65
Less: Utilised during the year for the share issue expenses	-	(170.10)
Closing balance	**231,436.81**	**231,361.87**

Securities premium is used to record the premium on issue of shares. The reserve can be utilised only for limited purposes in accordance with the provisions of the Companies Act, 2013. During the year ended March 31, 2023, Securities premium was utilised to the extent of INR NIL lakhs (March 31, 2022- INR 170.10 lakhs) towards share issue expenses, in line with Section 52 of the Companies Act 2013.

iv. General reserve

Opening balance	719.60	719.60
Amount transferred from profit and loss	-	-
Closing balance	**719.60**	**719.60**

General reserve is a free reserve which can be utilised for any purpose as may be required.

v. Retained earnings

Opening balance	105,616.78	69,461.69
Profit for the year	60,349.61	45,354.45
Less: Transfer to Statutory reserve	(12,069.92)	(9,070.89)
Less: Re-measurements of defined benefit plan	(107.80)	(128.43)
Closing balance	**153,788.67**	**105,616.78**

Particulars	As at March 31, 2023	As at March 31, 2022

Retained earnings are the profits/(loss) that the Company has earned/incurred till date, less any transfers to general reserve, dividends or other distributions paid to shareholders. Retained earnings is a free reserve available to the Company and eligible for distribution to shareholders, in case where it is having positive balance representing net earnings till date. The amount that can be distributed by the Company as dividends to its Equity Shareholders is determined based on the financial statements of the Company and also considering the requirements of the Companies Act, 2013 and the Regulations of Reserve Bank of India.

vi. Cash flow Hedge Reserve		
Opening balance	(94.98)	-
Additions	(113.21)	(94.98)
Closing balance	**(208.19)**	**(94.98)**

Cash flow hedge reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges, which shall be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item, consistent with the Company accounting policies.

23. Interest income		
On financial assets measured at amortised cost		
Interest on loans	146,303.00	117,051.64
Interest on deposits with banks	2,763.19	2,703.35
Interest on Investment in Government Securities	812.18	621.56
Total	**149,878.37**	**120,376.55**

24. Fee income		
Legal and inspection fees	658.93	2,562.31
Others charges	716.96	377.29
Total	**1,375.89**	**2,939.60**

Other Charges comprises of charges collected from the customers in the nature of document storage charges, cheque dishonour charges and other charges as applicable.

All services that generate revenue from contract with customer are rendered at a point in time and are rendered in India.

25. Net gain on fair value changes		
Net gain on financial instruments at fair value through profit or loss (FVTPL)		
On trading portfolio		
-Mutual fund investments at FVTPL	830.59	2,090.21
Total	**830.59**	**2,090.21**

Fair value changes		
Realised	830.59	2,090.21
Unrealised	-	-
Total	**830.59**	**2,090.21**

26. Other Income		
Recovery of assets written off	735.11	185.84
Other non-operating income	72.79	24.72
Total	**807.90**	**210.56**

Particulars	As at March 31, 2023	As at March 31, 2022
27. Finance costs		
(On financial liabilities measured at amortised cost)		
Interest on borrowings		
- term loans from banks	11,365.54	7,807.55
- cash credits and overdraft	13.92	16.04
- securitisation	4,059.20	6,361.38
- term loans from others	2,429.94	2,819.46
Interest on debt securities	8,436.45	12,735.93
Other borrowing cost	47.46	99.65
Interest on lease liability	272.59	219.97
Total	**26,625.10**	**30,060.00**
28. Impairment on financial instruments		
On financial assets measured at amortised cost		
Impairment loss allowance on loans*	2,014.70	4,551.81
Total	**2,014.70**	**4,551.81**

*Includes write-off of INR 1,199.22 lakhs for the year ended March 31, 2023 (March 31, 2022 - INR.2,926.39 lakhs).

Particulars	As at March 31, 2023	As at March 31, 2022
29. Employee benefits expenses		
Salaries, wages and bonus	28,345.84	17,854.07
Contribution to provident and other funds	2,104.88	1,396.01
Employee stock option expenses (Refer note 41)	2,764.19	3,544.18
Staff welfare expenses	1,427.75	817.26
Total	**34,642.66**	**23,611.52**
30. Depreciation and amortization		
Depreciation on property, plant and equipment (Refer note 12)	830.56	476.43
Amortisation of intangible assets (Refer note 13)	40.69	116.91
Depreciation on right of use asset (Refer note 37)	859.99	631.13
Total	**1,731.24**	**1,224.47**
31. Other expenses		
Rent expense	49.97	52.86
Rates and taxes	108.02	42.30
Electricity expenses	155.84	97.33
Repairs and maintenance	498.25	348.28
Communication costs	711.44	620.96
Printing and stationery	565.30	294.16
Advertisement and publicity	32.82	7.47
Directors fees, allowances and expenses	87.96	77.50
Auditor's fees and expenses (Refer note 31.1)	137.04	136.77
Legal and professional charges	1,128.61	1,535.25
Insurance	9.13	16.96
Corporate social responsibility expenses (Refer note 31.2)	961.27	699.70
Travel expenses	555.15	226.01
Information technology expenses	2,154.64	1,100.94
Loss on sale of property, plant and equipment	2.83	1.32
Bank charges	185.66	181.27
Collection/Recovery costs	3.13	279.18
Miscellaneous expenses	58.50	29.95
Total	**7,405.56**	**5,748.21**

Particulars	As at March 31, 2023	As at March 31, 2022
31.1. Payment to auditors (excluding taxes)		
Statutory audit including limited reviews and certificates	132.36	130.40
Tax audit	2.06	2.00
Reimbursement of expenses	2.62	4.37
Total	**137.04**	**136.77**

Note:
Excludes remuneration amounting to INR 274.53 Lakhs paid to the auditors during FY 2022-23 for services in connection with initial public offer of equity shares of the Company. Subsequently the same has been reimbursed from the selling shareholders.

Payment to auditors towards statutory auditors including limited reviews and certificates above includes INR NIL lakhs (March 31, 2022- INR 32.40 lakhs) paid to predecessor auditor.

31.2. Details of expenditure on corporate social responsibility ("CSR")		
(a) Amount required to be spent by the Company during the year	961.20	699.43
(b) Amount of expenditure incurred during the year		
(i) Construction/acquisition of any asset	-	-
(ii) On purposes other than (i) above	529.77	699.70
(c) Shortfall at the end of the year**	431.43	-
(d) Total of previous shortfall***	50.00	100.00
(e) Reason for shortfall	*	Not Applicable
(f) Nature of CSR activities	Contribution towards projects in the domain of education and healthcare	Contribution to projects in the domain of education and healthcare
(g) Details of related party transactions	NIL	NIL

*The amount categorised as shortfall for the year ended March 31, 2023 aggregating to INR 431.43 Lakhs, is towards the ongoing projects under the activities mentioned in Schedule VII of the Companies Act, 2013 and the same was approved by the CSR Committee at its meeting held on December 23, 2022 and March 18, 2023.

**The Company has incurred an amount of INR 0.07 Lakhs in excess of the CSR liability as per Section 135 of the Companies Act, 2013 for the year ended March 31, 2023.

***The amount categorised as shortfall amounting to INR 50.00 Lakhs for the year ended March 31, 2021, is towards the ongoing projects under the activities mentioned in Schedule VII of the Companies Act, 2013 and the same was approved by the CSR Committee at its meeting held on March 22, 2021.

Details of ongoing projects

	In case of S. 135(6) (Ongoing Project)						
Year	Opening Balance		Amount required to be spent during the year	Amount spent during the year from		Closing Balance	
	With Company	In Separate CSR Unspent A/c		Company's bank A/c	Separate CSR Unspent A/c	With Company	In Separate CSR Unspent A/c
2021-22	-	100.00	-	-	50.00	-	50.00
2022-23	-	-	480.84	49.35	-	-	431.49

Particulars	As at March 31, 2023	As at March 31, 2022
31.3 (a) Expenditure in Foreign Currency		
Information technology expenses	364.07	282.15
Processing fee on borrowings	-	71.90
(b) Remittances in Foreign Currency		
Information technology expenses	364.07	282.15
Processing fee on borrowings	-	71.90
Offer expenses in connection with the Initial Public Offer	257.77	188.43

(c) There are no dividend paid in foreign currency

31.4 The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified and the final rules/interpretation have not yet been issued. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.

Particulars	As at March 31, 2023	As at March 31, 2022
32. A. Income tax		
i. Current tax		
In respect of current year	20,715.40	15,959.12
Total	**20,715.40**	**15,959.12**
ii. Deferred tax		
Attributable to–		
Origination and reversal of temporary differences	(591.52)	(892.66)
Total	**(591.52)**	**(892.66)**
Tax expense (i)+(ii)	**20,123.88**	**15,066.47**
32.1. Deferred tax related to the items recognised in other comprehensive income during the year		
Tax impact on:		
Re-measurements of the defined benefit plan	36.26	43.20
Net movement on effective portion of cashflow hedge	38.07	31.94
Deferred tax charged to Other Comprehensive Income	**74.33**	**75.14**
32.2. Reconciliation of total tax expense		
Profit before tax	80,473.49	60,420.91
Applicable tax rate	25.17%	25.17%
Computed tax expense	20,253.57	15,206.73
Tax effect of:		
Permanent Differences		
Deduction u/s 80JJAA of the Income Tax Act, 1961	(397.26)	(288.67)
Disallowance related to CSR expenditure	241.93	176.10
Others	25.64	(27.71)
Income tax expense recognised in statement of profit and loss	**20,123.88**	**15,066.46**
Effective tax rate	**25.01%**	**24.94%**

Particulars	As at March 31, 2023	As at March 31, 2022
33. Reconciliation of deferred tax assets / (liability):		
In relation to :		
Difference between written down value of fixed assets as per books of accounts and income tax	227.26	197.28
Employee Benefits	847.17	640.62
Cash flow hedge reserve	70.01	31.94
Impairment allowance	1,783.84	2,277.89
Impact of Effective interest rate adjustment on Financial Assets	2,628.96	1,829.81
Impact of Effective interest rate adjustment on Financial liabilities	(265.97)	(338.92)
Recognition of lease liability and right to use asset	41.33	28.12
Total	**5,332.60**	**4,666.74**

33.1 Reconciliation of deferred tax assets / (liability):

The following table shows deferred tax recorded in the balance sheet and changes recorded in the income tax expense

Particulars	Opening Balance	Recognised in profit of loss	Recognised in other comprehensive income	Closing Balance
For the year ended March 31, 2023 :				
Difference between written down value of fixed assets as per books of accounts and income tax	197.28	29.98	-	227.26
Employee benefits	640.62	170.29	36.26	847.17
Cash flow hedge reserve	31.94	-	38.07	70.01
Impairment allowance (Including Write-Off)	2,277.89	(494.05)	-	1,783.84
Unamortised processing fee income	1,829.81	799.15	-	2,628.96
Unamortised processing fee expenses	(338.92)	72.95	-	(265.97)
Recognition of lease liability and right to use asset	28.12	13.21	-	41.33
Total	**4,666.74**	**591.54**	**74.33**	**5,332.60**
For the year ended March 31, 2022 :				
Difference between written down value of fixed assets as per books of accounts and income tax	134.10	63.18	-	197.28
Employee benefits	448.51	148.91	43.20	640.62
Cash flow hedge reserve	-	-	31.94	31.94
Impairment allowance (Including Write-Off)	1,987.18	290.71	-	2,277.89
Unamortised processing fee income	1,679.02	150.79	-	1,829.81
Unamortised processing fee expenses	(573.29)	234.37	-	(338.92)
Recognition of lease liability and right to use asset	23.42	4.70	-	28.12
Total	**3,698.94**	**892.66**	**75.14**	**4,666.74**

Particulars	As at March 31, 2023	As at March 31, 2022
34. Commitments		
Estimated amount of contracts remaining to be executed on capital account (net off capital advances) and not provided for	16.87	162.53
35. Contingent liabilities		
Claims against the Company not acknowledged as debt		
- Income tax related matters (excluding penalties and interest)	6.74	6.74
Bank Guarantee to National Stock Exchange in connection with the IPO	1,660.10	-

36. Disclosure under Micro, Small and Medium Enterprises Development Act, 2006

Under Micro, Small and Medium Enterprises Development Act, 2006, (MSMED) which came into force from 2 October 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. On the basis of the information and records available with management and confirmation sought from suppliers on registration with specified authority under MSMED, principal amount, interest accrued and remaining unpaid and interest paid during the year to such enterprise is Nil.

The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting period		
Principal	-	-
Interest	-	-
The amount of interest paid by the buyer in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year;	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006;	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year;	-	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under Section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	-	-

37. Leases

The Company has taken office premises on lease for its operations. The Company's obligations under its leases are secured by the lessor's title to the leased assets. The Company also has certain leases with lease terms of 12 months or less. The Company applies the 'short-term lease' recognition exemptions for these leases.

Set out below are the carrying amounts of lease liabilities included under financial liabilities and the movements during the year:

i). Movement in carrying value of right of use assets		
Opening Balance	1,978.10	1,452.63
Additions during the year	1,897.77	1,263.90
Depreciation	(859.99)	(631.13)
Derecognition on termination of leases	(169.70)	(107.30)
Closing Balance	**2,846.18**	**1,978.10**
ii). Movement in lease liabilities		
Opening Balance	2,113.32	1,529.36
Additions during the year	1,860.08	1,272.73
Interest on lease liabilities	272.59	219.97
Rent payments	(1,051.08)	(779.72)
Derecognition on termination of leases	(208.86)	(129.02)
Closing Balance	**2,986.05**	**2,113.32**

Particulars	As at March 31, 2023	As at March 31, 2022
iii). Amounts recognised in statement of profit and loss		
Rent expense on short term leases (Refer note 31)	49.97	52.86
Interest on lease liabilities	272.59	219.97
Depreciation on Right of use asset	859.99	631.13
Gain recognised on derecognition of leases	(39.16)	(21.73)
iv). Future lease commitments		
Future undiscounted lease payments to which leases is not yet commenced	12.60	41.14
v). Cash flows		
Total cash outflow for leases	1,101.05	832.58
vi). Maturity analysis of undiscounted lease liabilities		
Not later than one year	1,153.06	805.60
Later than one year and not later than five years	2,106.91	1,554.89
Later than five years	317.27	191.88
Lease liabilities are recognised at weighted average incremental borrowing rate ranging from 8.29% to 9.27%		

38. Earnings per share

Profit after tax	**60,349.61**	**45,354.45**
Weighted Average Number of Equity Shares in calculation of basic earnings per share	291,361,835	281,898,756
Dilution on account of ESOP and partly-paid up shares	3,123,179	3,029,537
Weighted Average Number of Equity Shares in calculation of diluted earnings per share	294,485,014	284,928,293
Basic earnings per share	20.71	16.09
Diluted earnings per share	20.49	15.92

The Board of Directors of the Company in its meeting held on September 8, 2021 and shareholders in the Extraordinary General Meeting held on October 8, 2021 approved the sub-division of shares from ₹ 10 per share to ₹ 1 per share.

39. Segment Information

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company’s other components, and for which discrete financial information is available. All operating segments’ operating results are reviewed regularly by the Company’s Chairman and Managing Director ('MD') to make decisions about resources to be allocated to the segments and assess their performance. The MD is considered to be the Chief Operating Decision Maker ('CODM') within the purview of Ind AS 108 Operating Segments.

The CODM considers the entire business of the Company on a holistic basis to make operating decisions and thus there are no segregated operating segments. The Company is primarily engaged in providing loans for business purposes, house renovation / extension purposes and other mortgage purposes. The CODM of the Company reviews the operating results of the Company as a whole and therefore not more than one reportable segment is required to be disclosed by the Company as envisaged by Ind AS 108 Operating Segments. Accordingly, amounts appearing in these financial statements relates to small business loans and loans for house renovations / extensions etc.

The Company does not have any separate geographic segment other than India. As such there are no separate reportable segments as per Ind AS 108 Operating Segments.

40. Employee benefits - post employment benefit plans

A. Defined contribution plans

The Company makes provident fund and employee state insurance scheme contributions which are defined contribution plans, for qualifying employees. Under the schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognised INR 1,371.90 lakhs (year ended March 31, 2022 - INR 889.79 lakhs) for provident fund contributions, and INR 356.67 lakhs (year ended March 31, 2022 - INR 245.20 lakhs) for employee state insurance scheme contributions in the statement of profit and loss. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

B. Defined benefit plans

Gratuity

The Company operates a defined benefit plan (the Gratuity plan) covering eligible employees. The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the act, employee who has completed five years of service is entitled to specific benefit. The level of benefits provided depends on the member's length of service and salary at retirement age/ resignation date.

The defined benefit plans expose the Company to risks such as Actuarial risk, Investment risk, Liquidity risk, Market risk, Legislative risk. These are discussed as follows:

Actuarial risk:

It is the risk that benefits will cost more than expected. This can arise due to one of the following reasons:

Adverse salary growth experience: Salary hikes that are higher than the assumed salary escalation will result into an increase in obligation at a rate that is higher than expected.

Variability in mortality rates: If actual mortality rates are higher than assumed mortality rate assumption then the gratuity benefits will be paid earlier than expected. Since there is no condition of vesting on the death benefit, the acceleration of cash flow will lead to an actuarial loss or gain depending on the relative values of the assumed salary growth and discount rate.

Variability in withdrawal rates: If actual withdrawal rates are higher than assumed withdrawal rate assumption then the Gratuity Benefits will be paid earlier than expected. The impact of this will depend on whether the benefits are vested as at the resignation date.

Investment risk:

For funded plans that rely on insurers for managing the assets, the value of assets certified by the insurer may not be the fair value of instruments backing the liability. In such cases, the present value of the assets is independent of the future discount rate. This can result in wide fluctuations in the net liability or the funded status if there are significant changes in the discount rate during the inter-valuation period.

Liquidity risk:

Employees with high salaries and long durations or those higher in hierarchy, accumulate significant level of benefits. If some of such employees resign/ retire from the Company there can be strain on the cash flows.

Market risk:

Market risk is a collective term for risks that are related to the changes and fluctuations of the financial markets. One actuarial assumption that has a material effect is the discount rate. The discount rate reflects the time value of money. An increase in discount rate leads to decrease in defined benefit obligation of the plan benefits and vice versa. This assumption depends on the yields on the government bonds and hence the valuation of liability is exposed to fluctuations in the yields as at the valuation date.

Legislative risk:

Legislative risk is the risk of increase in the plan liabilities or reduction in the plan assets due to change in the legislation/regulation. The government may amend the Payment of Gratuity Act, 1972, thus requiring the companies to pay higher benefits to the employees. This will directly affect the present value of the defined benefit obligation and the same will have to be recognized immediately in the year when any such amendment is effective.

Funding

The Company has funded their gratuity liability with Life Insurance Corporation. Gratuity provision has been made based on the actuarial valuation.

Particulars	As at March 31, 2023	As at March 31, 2022
Reconciliation of net defined benefit (asset) / liability		
The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit (asset) / liability and its components.		
Present value of obligations	1,793.23	1,246.93
Fair value of plan assets	(1,408.90)	(907.29)
(Asset) / Liability recognised in the balance sheet	**384.33**	**339.64**

Particulars	As at March 31, 2023	As at March 31, 2022
Reconciliation of present value of defined benefit obligation		
Balance at the beginning of the year	1,246.93	811.61
Benefits paid	(59.67)	(39.47)
Current service cost	390.71	253.35
Interest cost	71.20	43.24
Actuarial (gain)/loss recognized in other comprehensive income		
changes in demographic assumptions	-	-
changes in financial assumptions	(112.79)	(24.43)
experience adjustments	256.85	202.63
Balance at the end of the year	**1,793.23**	**1,246.93**
Expense recognized in profit or loss		
Current service cost	390.71	253.35
Net Interest cost	6.58	4.50
Total	**397.29**	**257.85**
Remeasurements recognized in other comprehensive income		
Actuarial (gain) loss on defined benefit obligation	144.06	178.21
Return on plan assets excluding interest income	-	(6.58)
Total	**144.06**	**171.63**
Changes in the fair value of plan assets		
Fair value of plan assets as at the beginning of the year	907.29	556.83
Expected return on plan assets	64.62	38.73
Contributions	496.66	344.62
Direct Contributions towards direct benefit payments	-	-
Benefits paid and charges deducted from the fund	(59.67)	(39.47)
Direct benefit payments	-	-
Actuarial gain/(loss) on plan assets	-	6.58
Fair value of plan assets as at the end of the year	**1,408.90**	**907.29**
Net defined benefit (asset)/liability	**384.33**	**339.64**
Actuarial assumptions		
Discount rate	7.13%	5.85%
Future salary growth	15.00%	15.00%
Attrition rate	25.00%	25.00%

Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

Discount rate		
-1% increase	(79.48)	(58.71)
-1% decrease	86.97	64.51
Attrition rate		
-1% increase	(37.25)	(32.52)
-1% decrease	40.00	30.14
Future salary growth		
-1% increase	82.96	56.64
-1% decrease	(78.27)	(60.29)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown

Particulars	As at March 31, 2023	As at March 31, 2022
Additional Disclosures required under Ind AS 19		
Average Duration of Defined Benefit Obligations (in Years)	5.50	5.70
Projected undiscounted expected benefit outgo (mid year cash flows)		
Year 1	251.83	149.42
Year 2	305.60	182.02
Year 3	259.28	198.28
Year 4	240.16	172.51
Year 5	245.63	156.24
Next 5 Years	777.46	507.39
Expected benefit payments for the next annual reporting year	251.83	149.42

41. Share Based Payments

A. Description of schemes

The decision to introduce Five-Star Associate Stock Option Scheme, 2015 (hereinafter called "FIVE-STAR ASOP, 2015") was taken by the Board of Directors at the meeting held on September 18, 2015 and was approved by the shareholders of the Company at the Extra Ordinary General Meeting held on April 12, 2016. The total options issuable under the plan are upto 5,63,000 options.

Later, the Board of Directors issued another scheme, named Five-Star Associate Stock Option Scheme, 2018 (hereinafter called "FIVE-STAR ASOP, 2018") at their meeting held on February 28, 2018 and was approved by the shareholders of the Company at the Extra Ordinary General Meeting held on March 26, 2018. The total options issuable under the plan are upto 5,00,000 options.

Nomination and Remuneration Committee constituted by the Board of Directors of the Company administers the plans. Under these plans, the participants are granted options which vest as per the schedule provided in the Grant Letter given to each of the participants. The time period for exercise of these options is defined in the Scheme document.

Particulars	For the year ended March 31, 2023		For the year ended March 31, 2022	
	Weighted average exercise price per option	Number of options	Weighted average exercise price per option	Number of options
B. Reconciliation of outstanding share options				
Outstanding at beginning of year	65.01	3,908,000	56.99	469,300
Addition in number of options on account of share split*	-	-	-	4,223,700
Forfeited during the year	8.39	61,700	114.96	204,000
Exercised during the year	111.36	23,000	44.53	1,718,000
Granted during the year	86.53	281,830	76.12	1,137,000
Outstanding as at end of year	66.91	4,105,130	65.01	3,908,000
Exercisable Options	**61.91**	**1,283,660**	**67.44**	**2,000**

*During the year ended March 31, 2022, the Board of Directors of the Company in its meeting held on September 08, 2021 and shareholders in the Extraordinary General Meeting held on October 08, 2021 approved the sub-division of shares from INR 10 per share to INR 1 per share.

The weighted average share price at the date of exercise of options exercised during the year ended March 31, 2023 is INR 399.86 per share (March 31, 2022 : INR 375.49 per share)

Particulars	As at March 31, 2023	As at March 31, 2022
For the options outstanding at the end of the year:		
Weighted average remaining contractual life (in years)	5.71	6.63
Range of exercise prices (INR)	1-236.44	1-236.44

C. Expense recognised in the statement of profit and loss

Total Expense	2,764.19	3,544.18

Particulars	As at March 31, 2023	As at March 31, 2022
D. Measurement of fair values		
The fair value of options have been estimated on the dates of each grant using the Black Scholes model. The various inputs considered in the pricing model for the stock options granted by the Company during the year are as follows:		
Share price on Grant date (INR)	399.86 - 411.96	351.80-385.49
Weighted average share price (INR)	399.86 - 411.96	351.80-385.49
Exercise price (INR)	67.44 - 236.44	1-236.44
Fair value of options at grant date (INR)	234.32 - 349.16	212.56-384.82
Expected volatility	39.75%-48.43%	37.67%-47.78%
Option term	3.54-7.54 years	3.54-7.54 years
Expected dividends	Nil	Nil
Risk free interest rate	5.45-5.65%	5.30%-5.40%

42. Related party disclosures

a. Name of the related parties and nature of relationship:

Key Management Personnel :

D. Lakshmipathy, Chairman and Managing Director

K.Rangarajan, Chief Executive Officer

G. Srikanth, Chief Financial Officer upto May 31, 2021; Chief - Strategy and Finance from June 1, 2021 to March 19, 2022 and Chief Financial Officer from March 20, 2022

Roopa Sampath Kumar, Chief Financial Officer (from June 1, 2021 to March 19, 2022)

B. Shalini, Company Secretary

Director and relative of Key Management Personnel / Director

Hema Lakshmipathy, wife of Lakshmipathy Deenadayalan

Shritha Lakshmipathy, Daughter of Lakshmipathy Deenadayalan

Bhama Krishnamurthy, Independent Director

B. Haribabu, Independent Director (upto October 20, 2021)

A. Ramanathan, Independent Director (upto May 25, 2022)

L.R. Ravi Prasad, Non-executive Director (upto October 20, 2021)

T.T. Srinivasaraghavan, Independent Director (from August 25, 2021)

V. Thirulokchand, Non-executive Director

R Anand, Independent Director

Vikram Vaidyanathan, Non-Executive Director

G V Ravishankar, Non-Executive Director

Ramkumar Ramamoorthy, Independent Director (From June 08, 2022)

Entities with Significant Influence over the Company

TPG Asia VII SF Pte. Ltd. (upto November 17, 2022)

Matrix Partners India Investment Holding II LLC

SCI Investments V

Post Employment Benefit Funds

Five-Star Business Finance Limited Employees Gratuity Fund

b. Key management personnel (KMP) compensation

Particulars	As at March 31, 2023	As at March 31, 2022
Short-term employee benefits		
D. Lakshmipathy	831.48	631.66
K.Rangarajan	293.48	235.60
G.Srikanth	170.00	135.08
Roopa Sampath Kumar	-	96.10
B.Shalini	21.91	11.32

Particulars	As at March 31, 2023	As at March 31, 2022
Post employment benefits		
D Lakshmipathy	0.22	0.22
K Rangarajan	0.22	0.22
G Srikanth	0.22	0.22
Roopa Sampath Kumar	-	0.20
B Shalini	0.22	0.22
Share based payments		
K Rangarajan	1,270.91	2,332.49
G Srikanth	577.56	624.12
B Shalini	12.09	14.72
c. Details of related party transactions		
Reimbursement of Expenses (from)		
TPG Asia VII SF Pte. Ltd.	1,184.82	-
Matrix Partners India Investment Holding II LLC	1,217.13	-
SCI Investments V	282.10	-
Issue of shares		
D Lakshmipathy	-	30.00
K Rangarajan	-	12.51
G Srikanth	-	6.53
B Shalini	0.03	-
Receipt of pending call money of partly paid up shares		
D Lakshmipathy	-	137.25
K Rangarajan	-	5.76
G Srikanth	-	4.03
Securities Premium		
D Lakshmipathy	-	35,681.78
K Rangarajan	-	126.66
G Srikanth	-	72.19
B Shalini	3.93	-

*excludes transfer from Share Based Payment reserve to Securities Premium on exercise of employee stock options

Directors sitting fees		
R Anand	12.70	9.80
Bhama Krishnamurthy	13.10	9.40
B Haribabu	-	4.60
A Ramanathan	1.80	9.40
L R Ravi Prasad	-	4.60
V Thirulokchand	7.50	5.00
T T Srinivasaraghavan	8.70	4.30
Ramkumar Ramamoorthy	6.90	-
Commission to Directors		
R Anand	6.00	4.00
Bhama Krishnamurthy	6.00	4.00
B Haribabu	-	2.00
A Ramanathan	1.00	4.00
L R Ravi Prasad	-	2.00
V Thirulokchand	6.00	4.00
T T Srinivasaraghavan	6.00	4.00
Ramkumar Ramamoorthy	5.00	-

Particulars	As at March 31, 2023	As at March 31, 2022
Personal Guarantee received for Borrowings		
D. Lakshmipathy	41,500.00	9,217.18

Managerial remuneration above does not include gratuity and compensated absences, since the same are provided on actuarial basis for the Company as a whole and the amount attributable to the key managerial personnel cannot be ascertained separately.
Compensation to independent and non-executive directors represent commission and sitting fees paid.

d. Balance with Related Parties

Employee Benefits Payable		
D Lakshmipathy	156.16	125.96
K Rangarajan	39.20	40.92
G Srikanth	17.00	12.86
B Shalini	-	-
Director Commission Payable		
R Anand	5.40	3.60
Bhama Krishnamurthy	5.40	3.60
B Haribabu	-	1.80
A Ramanathan	0.90	3.60
L R Ravi Prasad	-	1.80
V Thirulokchand	5.40	3.60
T T Srinivasaraghavan	5.40	3.60
Ramkumar Ramamoorthy	4.50	-

In addition to the above note, the Debt securities and borrowings other than debt securities aggregating to INR 78,420.87 lakhs (INR 77,228.40 as at March 31, 2022) has been guaranteed by the promoter, Mr. D Lakshmipathy.

43. Capital

The Company maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of the regulator, Reserve Bank of India (RBI). The adequacy of the Company's capital is monitored using, among other measures, the regulations issued by RBI.

The Company has complied in full with all its externally imposed capital requirements over the reporting period.

Capital management

The primary capital management objective is to ensure that the Company complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

The Company manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes have been made to the objectives, policies and processes from the previous years with regard to capital management. However, they are under constant review by the Board.

i. Net Debt to Equity Ratio

Consistent with the others in industry, the Company monitors the capital on the basis of gearing ratio (Net Debt divided by Equity). Under the terms of the major borrowing facilities, the Company is required to maintain the gearing ratio in line with the RBI guidelines or in a slightly more conservative manner. The actual gearing stipulated differs between the various lending agreements. The Company has complied with this covenant through out the year.

Total Equity (A)	433,953.47	371,035.10
Debt Securities (B)	52,483.00	100,853.38
Borrowings other than Debt Securities (C)	372,244.91	155,029.75
Cash and Cash equivalents (D)	134,035.80	61,316.28
Net Debt (E = B+ C - D)	**290,692.11**	**194,566.85**
Net Debt to Equity Ratio (F = E / A)	**0.67**	**0.52**

Particulars	As at March 31, 2023	As at March 31, 2022
ii. Regulatory capital		
The Company has to mandatorily comply with the capital adequacy requirements stipulated by Reserve Bank of India from time to time. Capital adequacy ratio or capital-to-risk weighted assets ratio (CRAR) is computed by dividing Company's Tier I and Tier II capital by risk weighted assets.		
Tier I Capital	390,860.96	335,814.66
Tier II Capital	-	-
Total Capital	**390,860.96**	**335,814.66**
Total Risk Weighted Assets	581,897.51	446,586.18
Capital Ratios		
CRAR - Tier I Capital%	67.17	75.20
CRAR - Tier II Capital%	-	-
CRAR%	67.17	75.20
Amount of subordinated debt raised as Tier-II capital	-	-
Amount raised by issue of perpetual debt instruments	-	-

Tier I capital comprises of shareholders' equity and retained earnings. Tier II Capital comprises of general provision and loss reserves (12 month expected credit losses). Credit enhancement relating to securitisation transactions have been adjusted against Tier I and Tier II capital in accordance with RBI circular DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 dated March 13, 2020. Tier 1 and Tier II capital have been reported based on Financial Statments of the Company and as prescribed by RBI guidelines. Risk weighted assets represents the weighted sum of Company's credit exposures based on their risk as prescribed by RBI guidelines.

44. Fair Value Measurement

Fair Value Hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair value disclosures are provided in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standards.

The Following methodologies and and assumptions were used to estimate the fair values of the financial assets or liabilities

i) The fair value of loans have estimated by discounting expected future cash flows using discount rate equal to the rate near to the reporting date of the comparable product

ii) The fair value of Debt securities, Borrowings other than Debt securities and subordinated liabilities have estimated by discounting expected future cash flows discounting rates.

iii) The fair values of Debt Securities and Borrowings other than Debt securities are estimated by discounted cash flow models that incorporate interest cost estimates considering all significant characteristics of the borrowing. They are classified as Level 3 fair values in the fair value hierarchy due to the use of unobservable inputs

iv) The fair value of investment in Government securities are derived from rate equal to the rate near to the reporting date of the comparable product.

Particulars	Level 1	Level 2	Level 3	Total
v) The fair value of Derivatives are determined using inputs that are directly or indirectly observable in market place.				
Fair Value of financial instruments recognised and measured at fair value				
As at March 31, 2023				
Financial Assets:				
Derivative Financial Instruments	-	346.09	-	346.09
As at March 31, 2022				
Financial Liabilities:				
Derivative Financial Instruments	-	138.92	-	138.92

For all the Company’s assets and liabilities which are not carried at fair value, disclosure of fair value is not required as the carrying amounts approximates the fair value, except as stated below. Such estimation is determined based on inputs where one or more unobservable input is significant to the measurement of the instrument as a whole (level 3), except for cash and cash equivalents and bank balances other than cash and cash equivalents where such estimation is determined based on unadjusted quoted prices from active markets for identical assets (level 1). The fair value of investment, Loans, debt securities and borrowings other than debt securities as at March 31, 2023 amounted to INR 14,371.06 lakhs, INR 689,959.66 lakhs, INR 56,681.44 lakhs and INR 372,219.22 lakhs respectively.(As at March 31, 2022 amounted to INR 24,546.47 lakhs, INR 531,361.21 lakhs, INR 106,291.77 lakhs and INR 155,656.75 lakhs respectively). There is no transfers between different levels during the year.

Particulars	Carrying amount Amortised cost	Fair value through profit or loss	Other comprehensive income	Total carrying value

45. Financial instruments by category

The carrying value and fair value of financial instruments by categories as of March 31, 2023 were as follows:

Particulars	Amortised cost	Fair value through profit or loss	Other comprehensive income	Total carrying value
Financial assets:				
Cash and cash equivalents	134,035.80	-	-	134,035.80
Bank balances other than cash and cash equivalents	24,050.41	-	-	24,050.41
Loans	682,219.59	-	-	682,219.59
Investments	14,461.42	-	-	14,461.42
Derivative financial instruments	-	-	346.09	346.09
Other financial assets	3,212.42	-	-	3,212.42
Total	**857,979.64**	**-**	**346.09**	**858,325.73**
Financial liabilities:				
Trade payables	2,009.01	-	-	2,009.01
Debt securities	52,483.00	-	-	52,483.00
Borrowings (Other than debt securities)	372,244.91	-	-	372,244.91
Other financial liabilities	6,070.01	-	-	6,070.01
Total	**432,806.93**	**-**	**-**	**432,806.93**

The carrying value and fair value of financial instruments by categories as of March 31, 2022 are as follows:

Particulars	Amortised cost	Fair value through profit or loss	Other comprehensive income	Total carrying value
Financial assets:				
Cash and cash equivalents	61,316.28	-	-	61,316.28
Bank balances other than cash and cash equivalents	26,677.50	-	-	26,677.50
Loans	510,241.07	-	-	510,241.07
Investments	24,818.38	-	-	24,818.38
Other financial assets	1,797.93	-	-	1,797.93
Total	**624,851.16**	**-**	**-**	**624,851.16**
Financial liabilities:				
Derivative financial liability	-	-	138.92	138.92
Trade payables	1,300.31	-	-	1,300.31
Debt securities	100,853.38	-	-	100,853.38
Borrowings (Other than debt securities)	155,029.75	-	-	155,029.75
Other financial liabilities	4,046.84	-	-	4,046.84
Total	**261,230.28**	**-**	**138.92**	**261,369.20**

45.1. Transfer of Financial Assets

The following table provides the summary of financial assets that have been transferred in such a way that the part or all of the transferred financial assets does not qualify for derecognition, together with the associated liabilities.

The Company has securitised certain loans, however the Company has not transferred substantially the risks and rewards, hence these assets have not been derecognised in its entirety.

Particulars	As at March 31, 2023	As at March 31, 2022
Carrying amount of assets measured at amortised cost	122,971.60	72,161.46
Carrying amount of associated liabilities	99,687.92	49,414.82
Fair value of assets	123,505.28	72,994.89
Fair value of associated liabilities	100,152.99	49,879.65

Particulars	As at March 31, 2023			As at March 31, 2022		
	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total

46. Maturity Analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

Particulars	Within 12 Months (2023)	After 12 Months (2023)	Total (2023)	Within 12 Months (2022)	After 12 Months (2022)	Total (2022)
ASSETS						
Financial Assets						
Cash and cash equivalents	134,035.80	-	134,035.80	61,316.28	-	61,316.28
Bank balances other than cash and cash equivalents	13,960.84	10,089.57	24,050.41	18,173.58	8,503.92	26,677.50
Loans	107,451.46	574,768.13	682,219.59	88,263.49	421,977.58	510,241.07
Investments	4,049.75	10,411.67	14,461.42	10,798.06	14,020.32	24,818.38
Derivative financial instruments	-	346.09	346.09	-	-	-
Other financial assets	757.21	2,455.21	3,212.42	1,525.95	271.98	1,797.93
Total	**260,255.06**	**598,070.67**	**858,325.73**	**180,077.36**	**444,773.80**	**624,851.16**
Non-Financial Assets						
Current tax assets (Net)	-	193.57	193.57	-	220.07	220.07
Deferred tax assets (Net)	-	5,332.60	5,332.60	-	4,666.74	4,666.74
Investment property	-	3.56	3.56	-	3.56	3.56
Property, plant and equipment	-	1,543.01	1,543.01	-	1,214.45	1,214.45
Right of use asset	-	2,846.18	2,846.18	-	1,978.10	1,978.10
Other intangible assets	-	97.71	97.71	-	88.74	88.74
Other non-financial assets	1,218.68	721.75	1,940.43	847.93	435.81	1,283.74
Total	**1,218.68**	**10,738.38**	**11,957.06**	**847.93**	**8,607.47**	**9,455.40**
Total Assets	**261,473.74**	**608,809.05**	**870,282.79**	**180,925.29**	**453,381.27**	**634,306.56**
LIABILITIES AND EQUITY						
Financial Liabilities						
Derivative financial instruments	-	-	-	-	138.92	138.92
Payables						
Trade payables						
Total outstanding dues of micro and small enterprises	-	-	-	-	-	-
Total outstanding dues of creditors other than micro and small enterprises	2,009.01	-	2,009.01	1,300.31	-	1,300.31
Debt securities	43,862.59	8,620.41	52,483.00	55,798.91	45,054.47	100,853.38
Borrowings (other than debt securities)	100,817.89	271,427.02	372,244.91	65,013.93	90,015.82	155,029.75
Other financial liabilities	4,006.79	2,063.22	6,070.01	2,700.78	1,446.06	4,146.84
Total	**150,696.28**	**282,110.65**	**432,806.93**	**124,813.93**	**136,655.27**	**261,469.20**
Non-Financial Liabilities						
Current tax liabilities (Net)	539.85	-	539.85	-	-	-
Provisions	186.73	971.44	1,158.17	364.81	535.22	900.03
Other non-financial liabilities	1,824.37	-	1,824.37	902.23	-	902.23
Total	**2,550.95**	**971.44**	**3,522.39**	**1,267.04**	**535.22**	**1,802.26**
Total Liabilities	**153,247.23**	**283,082.09**	**436,329.32**	**126,080.97**	**137,190.48**	**263,271.46**
Net Assets / (Liabilities)			**433,953.47**			**371,035.10**

47. Financial risk management objectives and policies

The Company's principal financial liabilities primarily comprise of borrowings from banks, debentures and trade payables. The main purpose of these financial liabilities is to finance the Company's operations and to support its operations. The Company's financial assets include loans, cash and cash equivalents that relate directly to its operations.

These activities exposes the Company to a variety of financial risks, as listed below apart from various operating and business risks, and the note below also explains how the Company manages such risks.

1. Market risk;
2. Credit risk;
3. Liquidity risk ; and
4. Foreign Currency Risk

This note explains the sources of risks arising from financial instruments which the entity is exposed to and how the Company manages the risk.

Particulars	As at March 31, 2023	As at March 31, 2022

Risk management framework

The Company's board of directors and risk management committee has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors and risk management committee along with the top management are responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's risk management committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

(i) Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices which will affect the Companies income or the value of holdings of financial instruments. The Company does not have exposure to currency risk and security price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

Interest rate risk

Interest rate risk primarily arises from borrowings with variable rates. The Company's borrowings are carried at amortised cost. The borrowings with fixed rates are therefore not subject to interest rate risk as defined in Ind AS 107, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The interest rate profile of the Company's interest bearing financial instruments is as follows:

Fixed rate instruments		
Financial assets	840,306.78	617,804.72
Financial liabilities	147,200.59	167,758.55
Total	**987,507.37**	**785,563.28**
Variable rate instruments		
Financial assets	-	-
Financial liabilities	277,527.32	88,124.58
Total	**277,527.32**	**88,124.58**

Particulars	Profit / loss		Equity, net of tax	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow sensitivity analysis for variable-rate instruments:				
March 31, 2023				
Variable-rate instruments				
Cash flow sensitivity (net)	(1,245.05)	(1,245.05)	(931.67)	(931.67)
Total	**(1,245.05)**	**(1,245.05)**	**(931.67)**	**(931.67)**
March 31, 2022				
Variable-rate instruments				
Cash flow sensitivity (net)	(1,104.79)	1,104.79	(826.74)	826.74
Total	**(1,104.79)**	**1,104.79**	**(826.74)**	**826.74**

The sensitivity analysis above has been determined for borrowings where interest rates are variable. A 100 basis points increase or decrease in interest rates is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

(ii) Credit risk

Loans and advances

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans advances and other financial assets. The carrying amount of financial assets represents the maximum credit exposure. The Company has Credit policy approved by the Board of Directors, which is subject to annual review. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical concentrations, and by monitoring exposures in relation to such limits.

The Company has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including periodical collateral revisions, as defined in the Credit policy. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. The credit quality review process aims to allow the Company to assess the potential loss as a result of the risks to which it is exposed and take corrective actions.

The disclosure of maximum exposure to credit risk without taking into account any collateral held or other credit enhancements has not been provided for financial assets, as their carrying amount best represent the maximum exposure to credit risk. All the loans provided are secured against mortgage of land and/or building. The fair value of the collateral is determined on the guidelines prescribed in the collateral management policy as approved by the Board of Directors.

Impairment assessment - Expected credit loss ("ECL"):

An impairment analysis is performed at each reporting date based on the facts and circumstances existing on that date to identify expected losses on account of time value of money and credit risk. For the purposes of this analysis, the loan receivables are categorised into groups based on days past due. Each group is then assessed for impairment using the Expected Credit Loss (ECL) model as per the provisions of Ind AS 109 - financial instruments. The Company's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the Summary of significant accounting policies.

ECL on financial assets is an unbiased probability weighted amount based out of possible outcomes after considering risk of credit loss even if probability is low. ECL is calculated based on the following components:

a. Probability of default ("PD")
b. Loss given default ("LGD")
c. Exposure at default ("EAD")
d. Discount factor ("D")

a. Probability of default:

PD is defined as the probability of whether borrowers will default on their obligations in the future. Historical PD is derived from the internal data which is calibrated with forward looking macroeconomic factors.

For computation of probability of default ("PD"), Vasicek Model was used to forecast the PD term structure over lifetime of loans. As per given long term PD and current macroeconomic conditions, conditional PD corresponding to current macroeconomic condition is estimated. The Company has worked out on PD based on the last six years historical data.

The PDs derived from the model, are the cumulative PDs, stating that the borrower can default in any of the given years, however to compute the loss for any given year, these cumulative PDs have to be converted to marginal PDs. Marginal PDs is probability that the obligor will default in a given year, conditional on it having survived till the end of the previous year.

As per Ind AS 109, expected loss has to be calculated as an unbiased and probability-weighted amount for multiple scenarios.

The probability of default was calculated for 3 scenarios: best , worst and base. This weightage has been decided on best practices and expert judgement. Marginal conditional probability was calculated for all 3 possible scenarios and one conditional PD was arrived as conditional weighted probability.

Staging of loans:

Definition of default and cure

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the loan has remained overdue for a period greater than 90 days.

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when the loan becomes less than or equal to 90 days past due on its contractual obligations. Such cured loans are classified as Stage 1 or 2 depending upon the days past due after such cure has taken place.

As per Ind AS 109, Company assesses whether there is a significant increase in credit risk at the reporting date from the initial recognition. The Company considers the credit risk to be directly proportional to the delinquency status i.e. days past due of the loan under consideration. No further adjustments are made in the PD.

Days past dues status	Stage	Provisions
Current	Stage 1	12 Months ECL
1-30 Days	Stage 1	12 Months ECL
31-90 Days	Stage 2	Lifetime ECL
90+ Days	Stage 3	Lifetime ECL

b. Loss given default

The credit risk assessment is based on a standardised loss given default (LGD) assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Company segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows.

Further recent data and forward-looking economic scenarios are used in order to determine the LGD rate for each of the homogeneous portfolios. When assessing forward-looking information, the expectation is based on multiple scenarios.

Under Ind AS 109, LGD rates are estimated for each of the homogeneous portfolios. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

c. Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Company assesses the possible default events within 12 months for the calculation of the 12 months ECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account.

The Company determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The Ind AS 109 PDs are then assigned to each economic scenario based on the outcome of models.

d. Discounting:

As per Ind AS 109, ECL is computed by estimating the timing of the expected credit shortfalls associated with the defaults and discounting them using effective interest rate.

Significant increase in credit risk

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or Life-time ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition.The Company considers the credit risk to be directly proportional to the delinquency status i.e. days past due of the loan under consideration. No further adjustments are made in the PD.

When estimating ECLs on a collective basis for a group of similar assets the Company applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition. (Refer Note-6.1 for analysis of changes in the gross carrying amount and the corresponding ECL allowances)

Grouping financial assets measured on a collective basis

The Company calculates ECL on a collective basis for all asset classes.

The Company combines these exposure into smaller homogeneous portfolios, based on the characteristics of the loans, as described below:

a). Geographic location

b). Ticket size

ECL computation:

Conditional ECL at DPD pool level was computed with the following method:

Conditional ECL for year (yt) = EAD (yt) * conditional PD (yt) * LGD (yt) * discount factor (yt)

The Company measures ECL as the product of PD , LGD and EAD estimates for its Ind AS 109 specified financial assets.

The calculation is based on provision matrix which considers actual historical data adjusted appropriately for the future expectations and probabilities.

Proportion of expected credit loss provided for across the stage is summarised below:

Particulars	Provisions	As at March 31, 2023	As at March 31, 2022
Stage 1	12 month provision	0.33%	0.34%
Stage 2	Life time provision	7.01%	8.77%
Stage 3	Life time provision	49.33%	34.89%

The loss rates are based on actual credit loss experience over past years. These loss rates are then adjusted appropriately to reflect differences between current and historical economic conditions and the Company's view of economic conditions over the expected lives of the loan receivables.

Analysis of inputs to the ECL model under multiple economic scenarios

An overview of the approach to estimating ECLs is set out in Note 3.5 Summary of significant accounting policies. ECL on financial assets is an unbiased probability weighted amount based out of possible outcomes after considering risk of credit loss even if probability is low. ECL is calculated based on the following components

The following tables outline the impact of multiple scenarios on the allowance based on macro-economic factors considered:

ECL Scenario	As at March 31, 2023	As at March 31, 2022
Best Case	10,642.19	10,092.28
Base Case	11,042.09	10,267.84
Worst Case	11,510.70	10,453.73

Analysis of credit concentration risks

The Company's concentrations of risk are managed by counterparty and geography. The maximum credit exposure to any individual client or counterparty as of March 31, 2023 was INR 71.01 Lakhs (March 31, 2022: INR 79.78 Lakhs).

The following table shows the risk concentration of loan portfolio by geography.

Geography	As at March 31, 2023	As at March 31, 2022
Tamil Nadu	244,781.19	193,981.67
Karnataka	45,368.90	36,807.78
Andhra Pradesh	224,992.53	148,432.90
Telangana	136,095.46	97,344.41
Others	40,245.13	30,141.01
Total	**691,483.21**	**506,707.77**

Note: The above risk concentration of loan portfolio excludes Inter-Corporate Deposits amounting to INR 1,842.24 lakhs as at March 31, 2023 (March 31, 2022- INR 13,821.88).

Cash and bank balances

The Company held cash and cash equivalents with credit worthy banks and financial institutions as at the reporting dates which has been measured on the 12-month expected loss basis. The credit worthiness of such banks and financial institutions are evaluated by the management on an ongoing basis and is considered to be good with low credit risk.

Investments

Investments comprises of mutual funds and government securities in accordance with the investment policy. Govenment securitites have sovereign rating and mutual fund investments are made with counterparties with low credit risk. The credit worthiness is of these counterparties are evaluated on an ongoing basis.

Other Financial Assets

Other financial assets is primarily constituted by security deposits and other receivables. The Company does not expect any losses from non-performance by these counter-parties.

(iii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company is bound to comply with the Asset Liability Management guidelines issued by Reserve Bank of India. The Company has Asset Liability Management policy approved by the board and has constituted Asset Liability Committee to oversee the liquidity risk management function of the Company. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's principal sources of liquidity are borrowings, cash and cash equivalents and the cash flow that is generated from operations.

The Company believes that the working capital is sufficient to meet its current requirements. Accordingly, no liquidity risk is perceived.

Exposure to liquidity risk

The table below provides details regarding the undiscounted contractual maturities of financial liabilities and assets including interest as at March 31, 2023:

Particulars	Carrying amount	Less than 1 year	1-2 years	2-5 years	More than 5 years
Financial Liabilities					
Derivative Financial Instruments	-	-	-	-	-
Trade payables	2,009.01	2,009.01	-	-	-
Debt Securities	52,483.00	45,516.58	3,930.77	5,852.11	-
Borrowings (Other than Debt Securities)	372,244.91	130,840.29	109,638.82	197,225.87	10,053.69
Other financial liabilities	6,070.01	4,237.02	998.63	1,108.28	317.27
Total (A)	**432,806.93**	**182,602.90**	**114,568.22**	**204,186.26**	**10,370.96**
Financial Assets					
Cash and cash equivalents	134,035.80	134,035.80	-	-	-
Bank Balances other than cash and cash equivalents	24,050.41	14,055.65	2,814.50	8,374.84	-
Loans	682,219.59	266,984.98	248,366.01	564,397.83	130,230.83
Investments	14,461.42	4,344.75	10,938.88	-	-
Derivative Financial Instruments	346.09	-	-	346.09	-
Other Financial assets	3,212.42	759.19	180.28	2,428.02	89.82
Total (B)	**858,325.73**	**420,180.37**	**262,299.67**	**575,546.78**	**130,320.65**

The table below provides details regarding the contractual maturities of financial liabilities and assets including interest as at March 31, 2022:

Particulars	Carrying amount	Less than 1 year	1-2 years	2-5 years	More than 5 years
Financial Liabilities					
Derivative Financial Instruments	138.92	-	-	138.92	-
Trade payables	1,300.31	1,300.31	-	-	-
Debt Securities	100,853.38	61,573.88	45,065.78	3,908.41	-
Borrowings (Other than Debt Securities)	155,029.75	76,292.31	54,564.04	46,375.35	-
Other financial liabilities	4,046.84	2,739.11	695.67	859.14	191.01
Total (A)	**261,369.20**	**141,905.61**	**100,325.49**	**51,281.82**	**191.01**
Financial Assets					
Cash and cash equivalents	61,316.28	61,316.28	-	-	-
Bank Balances other than cash and cash equivalents	26,677.50	18,434.26	1,168.81	8,417.12	-
Loans	510,241.07	203,659.57	179,905.76	409,452.74	77,544.53
Investments	24,818.38	11,169.15	4,344.75	10,938.88	-
Other Financial assets	1,797.93	1,525.95	52.01	188.12	31.85
Total (B)	**624,851.16**	**296,105.21**	**185,471.33**	**428,996.86**	**77,576.38**

(iv) Foreign Currency Risk

Foreign Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk for the Company arise primarily on account of foreign currency borrowings. The Company manages this foreign currency risk by entering in to cross currency swaps . When a derivative is entered in to for the purpose of being a hedge, the Company negotiates the terms of those derivatives to match with the terms of the hedged exposure. The Company's policy is to fully hedge its foreign currency borrowings at the time of drawdown and remain so till repayment.

The Company holds a derivative financial instrument of Cross currency swap to mitigate risk of changes in exchange rate in foreign currency

The Counterparty for the contract is a bank. Derivatives are fair valued using inputs that are directly or indirectly observable in market place.

Disclosure of Effects of Hedge Accounting

Cash Flow Hedge

Impact of hedging instrument on balance sheet is, as follows:

As on 31st March 2023

Foreign Exchange Risk on Cash Flow Hedge	No of Contracts	Nominal Value of Hedging Instrument INR Lakhs	Carrying Value INR Lakhs	Maturity Date	Changes in Fair Value of Hedging Instrument INR Lakhs	Changes in Value of Hedged Item used as a Basis for recognising hedge effectiveness	Line Item in Balance Sheet
		Liability	Asset				
Cross Currency Interest Rate Swap	1	7,591.00	346.09	March 30, 2022 to December 27, 2026	485.01	636.18	Hedged Item - Borrowings Hedging Instrument - Dervative Financial Instrument (Asset)

Cash Flow Hedge	Change in the Value of hedging Instrument recognized in Other Comprehensive Income	Ineffectiveness recognised in Profit and Loss ₹ Lakhs	Amount reclassified from Cash Flow hedge reserve to Profit or Loss	Line item affected in statement of Profit and Loss because of the reclassification
Foreign Exchange risk and exchange rate risk	(151.28)	-	-	NA

As on 31st March 2022

Foreign Exchange Risk on Cash Flow Hedge	No of Contracts	Nominal Value of Hedging Instrument INR Lakhs	Carrying Value INR Lakhs	Maturity Date	Changes in Fair Value of Hedging Instrument INR Lakhs	Changes in Value of Hedged Item used as a Basis for recognising hedge effectiveness	Line Item in Balance Sheet
		Liability	Liability				
Cross Currency Interest Rate Swap	1	7,591.00	138.92	March 30, 2022 to December 27, 2026	138.92	12.00	Hedged Item - Borrowings Hedging Instrument - Dervative Financial Instrument (Liability)

Cash Flow Hedge	Change in the Value of hedging Instrument recognized in Other Comprehensive Income	Ineffectiveness recognised in Profit and Loss INR Lakhs	Amount reclassified from Cash Flow hedge reserve to Profit or Loss	Line item affected in statement of Profit and Loss because of the reclassification
Foreign Exchange risk and exchange rate risk	(126.92)	-	-	NA

48. Disclosures required as per RBI Circulars/Directives

A. Schedule to the Balance Sheet of a Non-Banking Financial Company as required under Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016

Particulars	As at March 31, 2023		As at March 31, 2022	
	Amount Outstanding	Amount Overdue	Amount Outstanding	Amount Overdue
Liabilities side				
1. Loans and Advances availed by the non-banking financial company, inclusive of interest accrued thereon but not paid^				
a. Debentures				
i. Secured	52,570.57	-	101,293.57	-
ii. Unsecured	-	-	-	-
b. Deferred Credits	-	-	-	-
c. Term Loans*	365,504.17	-	147,586.09	-
d. Inter-corporate loans and borrowings	-	-	-	-
e. Commercial Paper	-	-	-	-
f. Public Deposits	-	-	-	-
g. Other loans				
i). Loans repayable on demand (secured) - From Banks	85.19	-	765.61	-
ii). Loans from related parties (unsecured)	-	-	-	-
iii). Term Loans from other parties (unsecured)	8,217.00	-	7,584.45	-
2. Break-up of (1) (f) above (outstanding public deposits inclusive of interest accrued thereon but not paid) :				
a. In the form of Unsecured debentures	-	-	-	-
b. In the form of party secured debentures i.e debentures where there is a shortfall in the value of security	-	-	-	-
c. Other public deposits	-	-	-	-

* includes borrowings under securitisation

^ The balances considered are without effective interest rate adjustments.

Particulars	Amount outstanding as on March 31, 2023	Amount outstanding as on March 31, 2022
Assets side		
3. Break-up of Loans and Advances, including Bills Receivables		
a. Secured(net of impairment loss allowance)	680,384.41	496,419.19
b. Unsecured	1,835.18	13,821.88
4. Break up of Leased Assets and Stock on Hire and Other Assets counting towards AFC activities		
(i). Leased assets including lease rentals under Receivables		
a. Financial lease	-	-
b. Operating lease	-	-
(ii). Stock on hire including hire charges under Receivables		
a. Assets on hire	-	-
b. Repossessed assets	-	-
(iii). Other loans counting towards AFC activities		
a. Loans where assets have been repossessed (net)	-	-
b. Loans other than (i) above	-	-
5. Break-up of Investments		
a. Current Investments		
1. Quoted		
i. Shares		
a. Equity	-	-
b. Preference	-	-
ii. Debentures and Bonds	-	-
iii. Units of Mutual Funds	-	-
iv. Government Securities*	4,049.75	10,798.06
v. Others	-	-

* Includes investments in Treasury Bills, Government of India Strips and Government of India Fixed Rate Bonds.

Particulars	Amount outstanding as on March 31, 2023	Amount outstanding as on March 31, 2022
48. Disclosures required as per RBI Circulars/Directives		
2. Unquoted		
i. Shares		
a. Equity	-	-
b. Preference	-	-
ii. Debentures and Bonds	-	-
iii. Units of Mutual Funds	-	-
iv. Government Securities*	-	-
v. Others	-	-
b. Long-term Investments		
1. Quoted		
i. Shares		
a. Equity	-	-
b. Preference	-	-
ii. Debentures and Bonds	-	-
iii. Units of Mutual Funds	-	-
iv. Government Securities*	10,411.67	14,020.32
v. Others	-	-
2. Unquoted		
i. Shares		
a. Equity	-	-
b. Preference	-	-
ii. Debentures and Bonds	-	-
iii. Units of Mutual Funds	-	-
iv. Government Securities	-	-
v. Others	-	-

* Includes investments in Treasury Bills, Government of India Strips and Government of India Fixed Rate Bonds.

Particulars	Amount [Net of Provisions]			
	As at March 31, 2023		As at March 31, 2022	
	Total	Secured	Total	Secured
6. Borrower group-wise classification of assets financed in 3 and 4 above				
a. Related Parties	-	-	-	-
i. Subsidiaries	-	-	-	-
ii. Companies in the same group	-	-	-	-
iii. Other Related Parties	-	-	-	-
b. Other than Related Parties	682,219.59	680,377.35	510,241.07	496,419.19
Total	**682,219.59**	**680,377.35**	**510,241.07**	**496,419.19**

Category	As atMarch 31, 2023		As at March 31, 2022	
	Market value / breakup or Fair value or NAV	Book Value (Net of Provisions)	Market value / breakup or Fair value or NAV	Book Value (Net of Provisions)
7. Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted)				
a. Related Parties	-	-	-	-
i. Subsidiaries	-	-	-	-
ii. Companies in the same group	-	-	-	-
iii. Other Related Parties	-	-	-	-
b. Other than Related Parties	14,371.06	14,461.42	24,546.47	24,818.38
Total	**14,371.06**	**14,461.42**	**24,546.47**	**24,818.38**

Particulars	As at March 31, 2023	As at March 31, 2022
48. Disclosures required as per RBI Circulars/Directives		
8. Other Informations		
a. Gross Non-Performing Assets (stage 3 assets)		
i. Related Parties	-	-
ii. Other than Related Parties	9,393.85	5,304.99
b. Net Non-Performing Assets (stage 3 assets)		
i. Related Parties	-	-
ii. Other than Related Parties	4,759.66	3,454.04
c. Assets acquired in satisfaction of debt	-	-

Disclosure pursuant to Reserve Bank of India Master Direction DNBR.PD.008/03.10.119/2016-17 dated September 01, 2016

B. Derivatives (Forward rate agreement / interest rate swap)

(i) Notional Principal of Swap Accounts	7,591.00	7,591.00
(ii) Losses which would be incurred of counter parties failed to fulfill their obligations under the agreement	-	-
(iii) Collateral required by the applicable NBFC upon entering into swaps	-	-
(iv) Concentration of credit risk arising from Swaps	-	-
(v) The fair value of the swap Book	346.09	(138.92)

The Company has hedged its foreign currency borrowings through cross currency swaps. For Accounting Policy & Risk Management Policy. (Refer note no. 3.21 and 47(iv))

Exchange traded interest rate derivatives

The Company has not traded in exchange traded interest rate derivative during the current and previous year.

Disclosures on risk exposure in derivatives

Qualitative Disclosure

Details for qualitative disclosure are part of accounting policy as per financial statements. (refer note no. 3.22)

(i) Derivatives (notional principal amount) for hedging	7,591.00	7,591.00
(ii) Marked to market positions		
(a) Asset	346.09	-
(b) Liability	-	138.92
(iii) Credit Exposure	-	-
(iv) Unhedged Exposures	-	-

C. Investments

1. Value of Investments		
i. Gross value of investments		
a. In India	14,461.42	24,818.38
b. Outside India	-	-
ii. Provision for depreciation		
a. In India	-	-
b. Outside India	-	-
iii. Net value of investments		
a. In India	14,461.42	24,818.38
b. Outside India	-	-
2. Movement of provisions held towards depreciation on investments		
i. Opening balance	-	-
ii. Add : Provisions made during the year	-	-
iii. Less : Write-off / write-back of excess provisions during the year	-	-
iv. Closing balance	-	-

Particulars	As at March 31, 2023	As at March 31, 2022
48. Disclosures required as per RBI Circulars/Directives		
D. Exposure to Real Estate Sector		
1. Direct exposure		
i. Residential Mortgages*		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	686,901.26	506,598.53
ii. Commercial Real Estate		
Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.).	4,581.95	109.24
iii. Investments in Mortgage Backed Securities (MBS) and other securitised exposures		
a. Residential	-	-
b. Commercial Real Estate	-	-
Total exposure to Real Estate sector (gross)	**691,483.21**	**506,707.77**

* Represents gross carrying amount as at the reporting date which are secured by underlying mortgaged properties.

Note: The above exposure excludes Inter-Corporate Deposits amounting to INR. 1,842.24 lakhs as at March 31, 2023 (INR. 13,821.88 lakhs as at March 31, 2022).

E. Customer Complaints

No. of complaints pending at the beginning of the year	1	-
No. of complaints received during the year	90	99
No. of complaints redressed during the year	91	98
No. of complaints pending at the end of the year	-	1

F. Exposure to Capital Market

The Company does not have any exposure to capital market and hence this disclosure is not applicable.

G. Concentration of Advances

Total Advances to twenty largest borrowers	758.55	707.15
Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC	0.11%	0.14%

Note: The above concentration of advances excludes Inter-Corporate Deposits amounting to INR 1,842.24 lakhs as at March 31, 2023 (INR 13,821.88 lakhs as at March 31, 2022).

H. Concentration of exposures

Total exposure to twenty largest borrowers	758.55	707.15
Percentage of exposures to twenty largest borrowers to Total exposure of the NBFC	0.11%	0.14%

The above exposure denotes gross carrying amount

Note: The above concentration of advances excludes Inter-Corporate Deposits amounting to INR 1,842.24 lakhs as at March 31, 2023 (INR 13,821.88 lakhs as at March 31, 2022).

I. Concentration of NPAs (Stage 3 assets)

Total exposure to top four NPA accounts(Stage 3 assets)	89.24	84.72

J. Ratings assigned by Credit Rating Agencies

The Credit Analysis & Research Limited (CARE), CRISIL Limited (CRISIL) and ICRA Limited (ICRA) have assigned ratings for the various facilities availed by the Company, details of which are given below:

Commercial Paper		
- CARE	A1+	A1+
Long term Bank Facilities		
- CARE	A+	A+
- ICRA	AA-	A+
- India Rating	AA-	-
Short term bank facilities		
- CARE	A+	A1+
Non Convertible Debentures		
- CARE	*	A+
- ICRA	AA-	A+

*All facilites rated by CARE have matured as on March 31, 2023

Particulars	As at March 31, 2023	As at March 31, 2022
48. Disclosures required as per RBI Circulars/Directives		
K. Sector-wise Gross NPAs (Stage 3 assets)		
Agriculture & allied activities	-	-
MSME*	0.00%	0.00%
Corporate borrowers	-	-
Services*	1.43%	1.18%
Unsecured personal loans	-	-
Auto loans (commercial vehicles)	-	-
Other personal loans	1.21%	0.82%

* Represents small business loans given to borrowers involved in manufacturing/service sectors.

The above sector-wise NPA and advances is based on the data available with the company.

L. Movement of NPAs (Stage 3 assets)		
Gross NPAs to Net Advances (%)	**1.36%**	**1.05%**
Net NPAs to Net Advances (%)	**0.69%**	**0.68%**
Movement of NPAs (Gross)		
(a) Opening balance	5,304.99	4,519.37
(b) Additions during the year	6,893.32	4,576.15
(c) Reductions during the year	(1,605.24)	(864.14)
(d) Write off	(1,199.22)	(2,926.39)
(e) Closing balance	**9,393.85**	**5,304.99**
Movement of Net NPAs		
(a) Opening balance	3,454.04	3,707.53
(b) Additions during the year	3,088.98	1,480.15
(c) Reductions during the year	(1,783.36)	(1,733.64)
(d) Closing balance	**4,759.66**	**3,454.04**
Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	1,850.95	811.84
(b) Provisions made during the year	3,804.34	3,095.99
(c) Write-off / write-back of excess provisions	(1,021.10)	(2,056.88)
(d) Closing balance	**4,634.19**	**1,850.95**

M. Other Regulator - Registration details

Regulator	Registration No.
i. Ministry of Corporate Affairs	U65991TN1984PLC010844
ii. Reserve Bank of India	B-07.00286
iii. National Housing Bank*	05.0134.16

*Certificate of Registration has been surrendered to NHB on June 5, 2020

N. Disclosure of penalties imposed by RBI and other regulators

The Company has paid a fine of Rs. 1,15,640 imposed by BSE for delay in considering & reporting of Financial results by fourteen days for the period ended September 2022 to the stock exchange, under Regulations 50(1), 52, 54(2) of SEBI LODR, 2015.

O. Details of Single Borrower Limit (SGL)/ Group Borrower Limit (GBL)

The Company has not exceeded the Single Borrower Limit (SGL)/ Group Borrower Limit (GBL) during the year ended March 31, 2023 and March 31, 2022.

P. Overseas assets (for those with joint ventures and subsidiaries abroad)

The Company does not have any joint ventures and subsidiaries abroad during the year ended March 31, 2023 and March 31, 2022 and hence this disclosure is not applicable.

Q. Details of financing of parent company products

The Company does not have a parent company and hence this disclosure is not applicable.

48. Disclosures required as per RBI Circulars/Directives

R. Details of non-performing financial assets purchased/ sold

The Company has not purchased any non-performing assets during the financial year ended March 31, 2023 and March 31, 2022.

S. Details of unsecured advances

The Company has unsecured Intercorporate deposits amounting to INR 1,842.24 lakhs as at March 31, 2023 (March 31, 2022 - INR 13,281.88 lakhs).

The company has not financed any unsecured advances against intangible securities such as rights, licenses, authority etc. as collateral security.

T. Off-Balance Sheet SPVs sponsored

The Company does not have Off-Balance Sheet SPVs sponsored, which are required to be consolidated as per the accounting norms, during the financial year ended March 31, 2023 and March 31, 2022.

U. Remuneration to non-executive directors

The Company has incurred commission of INR 30.00 Lakhs and sitting fee of INR 50.70 lakhs during the year ended March 31, 2023 (March 31, 2022: Commission - INR 24.00 lakhs, sitting fee - INR 47.10 lakhs).

V. Draw down from reserves

The Company has not made any draw down from reserves during the year ended March 31, 2023.

The Company has not made any draw down from reserves during the year ended March 31, 2022 except for utilisation of securities premium towards share issue expenses in accordance with Section 52 of Companies Act 2013 (refer note 22 (iii)).

W. Provisions and Contingencies

Particulars	As at March 31, 2023	As at March 31, 2022
Category-wise Break up of 'Provisions and Contingencies' shown in the Statement of Profit and Loss (including other comprehensive Income)		
Provisions for depreciation on investment	-	-
Provision towards non-performing assets*	3,982.46	3,965.50
Provision made towards income tax	20,715.40	15,959.12
Provision for compensated absences	830.81	512.07
Provision for gratuity	541.35	429.48
Provision for standard assets#	(1,967.76)	586.31

* Represents impairment loss allowance on stage 3 assets - Includes write-off of INR 1,199.22 lakhs (March 31, 2022 - INR 2,926.39 lakhs)

Represents impairment loss allowance on stage 1 and stage 2 assets.

X. Gold Loan Portfolio

The Company has not provided loan against gold during the year ended March 31, 2023 and March 31, 2022.

Y. Related Party Transaction

Details of all material transactions with related parties are disclosed in Note 42.

Z. Net Profit or Loss for the period, prior period items and changes in accounting policies

There are no prior period items that have impact on the current year’s profit and loss.

AA. Revenue Recognition

There have been no instances in which revenue recognition has been postponed pending the resolution of significant uncertainties.

AB. Ind As 110 – Consolidated Financial Statements (CFS)

The Company does not have any Subsidiary, Associate or Joint venture and hence is not required to prepare Consolidated financial statement.

48. Disclosures required as per RBI Circulars/Directives

AC. Public disclosure on Liquidity Risk

S.No.	No. of Significant Counterparties	Amount (₹ in lakhs)	% of Total Liabilities
(i) Funding Concentration based on significant counterparty (borrowings)			
1	32	388,969.43	89.15%

(ii) Top 20 large deposits (amount in Rs. and % of total deposits): Not Applicable

(iii) Top 10 borrowings (amount in Rs. and % of total borrowings)

S.No.	Name of the Facility	Amount (₹ in lakhs)	% of Total Borrowings
1	Total of top 10 borrowings	1,789.80	0.42%

(iv) Funding Concentration based on significant instrument/product

S.No.	Name of the Instrument / Product	Amount (₹ in lakhs)	% of Total Liabilities
1	Non-Convertible Debentures	52,483.00	12.03%
2	Term Loan	264,339.51	60.58%
3	Securitisation	99,687.92	22.85%
4	External commercial borrowings	8,132.28	1.86%

(v) Stock Ratios

S.No.	Name of the Instrument / Product	Percentage
1	Commercial papers as a % of total public funds, total liabilities and total assets	NIL
2	Non-convertible debentures (original maturity of less than one year) as a % of total public funds, total liabilities and total assets	NIL
3	Other short-term liabilities, if any as a % of total public funds	35.97%
4	Other short-term liabilities, if any as a % of total liabilities	35.01%
5	Other short-term liabilities, if any as a % of total assets	17.69%

Definitions:

"Significant counterparty" is defined as a single counterparty or group of connected or affiliated counterparties accounting in aggregate for more than 1% of the total liabilities.

"significant instrument/product" is defined as a single instrument/product of group of similar instruments/products which in aggregate amount to more than 1% of the total liabilities.

Public funds includes funds raised either directly or indirectly through public deposits, inter-corporate deposits, bank finance and all funds received from outside sources such as funds raised by issue of Commercial Papers, debentures etc. but excludes funds raised by issue of instruments compulsorily convertible into equity shares within a period not exceeding 5 years from the date of issue.

Total assets represents total assets as per the Balance Sheet netted off by intangible assets.

48. Disclosures required as per RBI Circulars/Directives

Disclosure pursuant to Reserve Bank of India Master Direction DNBR.PD.008/03.10.119/2016-17 dated September 01, 2016

AD. Asset Liability Management - Maturity pattern of certain items of assets and liabilities

As at March 31, 2023

Particulars	1-7 Days	8-14 Days	15-31 Days	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 3 years	Over 3 to 5 years	Over 5	Total
Advances*	11.46	0.49	5,599.17	7,944.90	8,056.38	26,245.96	57,992.38	247,909.30	230,838.60	110,168.20	694,766.84
Investments	-	-	-	16.95	69.16	103.75	3,859.89	10,411.67	-	-	14,461.42
Borrowings	999.83	477.64	36,033.64	9,146.08	15,019.75	32,633.18	51,095.18	163,823.82	99,737.00	9,193.81	418,159.93
Foreign Currency Liabilities	-	-	-	-	-	-	-	3,286.80	4,930.20	-	8,217.00

*The above advances excludes Inter-Corporate Deposits amounting to INR 1,842.24 lakhs as at March 31, 2023

As at March 31, 2022

Particulars	1-7 Days	8-14 Days	15-31 Days	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 3 years	Over 3 to 5 years	Over 5	Total
Advances*	6,642.26	2,106.79	3,667.47	5,860.48	5,954.30	19,702.43	44,329.75	180,577.27	177,341.70	65,944.76	512,127.23
Investments	-	-	16.41	16.41	6,083.33	2,573.92	2,107.99	14,020.33	-	-	24,818.38
Borrowings	1,373.05	527.25	4,100.33	7,925.19	10,573.91	36,651.99	59,655.67	118,866.94	9,970.96	-	249,645.29
Foreign Currency Liabilities	-	-	-	-	-	5.45	-	1,515.80	6,063.20	-	7,584.45

*The above advances excludes Inter-Corporate Deposits amounting to INR 13,821.88 lakhs as at March 31, 2022

Notes:

- The balances considered are without netting of impairment loss allowance (for stage 1 and stage 2 assets) and effective interest rate adjustments
- The classification of various components of assets and liabilities into different time buckets disclosed in the “Asset Liability Management - Maturity pattern of certain items of assets and liabilities” table above is based on RBI Directions.

48. Disclosures required as per RBI Circulars/Directives

Disclosure pursuant to Reserve Bank of India Master Direction DNBR.PD.008/03.10.119/2016-17 dated September 01, 2016

AE. Disclosures in respect of fraud as per the Master Directions DNBS. PPD.01/66.15.001/2016-17, dated September 29, 2016

Particulars	Less than INR 1 Lakh		More than INR 1 Lakh less than INR 25 Lakh		Above INR 25 Lakh		Total	
	Number of Instances	₹ in lakhs	Number of Instances	₹ in lakhs	Number of Instances	₹ in lakhs	Number of Instances	₹ in lakhs
Staff	2	1.14	1	1.37	1	31.10	4	33.61
Outsiders	1	0.92	1	7.32	-	-	2	8.24
Total	**3**	**2.06**	**2**	**8.69**	**1**	**31.10**	**6**	**41.85**
Type of fraud:								
Cash Mishandling**	2	1.14	1	1.37	1	31.10	4	33.61
Theft/Burglary	1	0.92	1	7.32	-	-	2	8.24
Others	-	-	-	-	-	-	-	-
Total	**3**	**2.06**	**2**	**8.69**	**1**	**31.10**	**6**	**41.85**

The Company has recovered an amount of INR 8.01 lakhs (March 31, 2022 - INR 11.33 lakhs). The un-recovered amounts are either pending settlement with the insurance companies or have been fully provided / written off.

AF. Disclosures Pursuant to Reserve Bank of India Guidelines on Liquidity Risk Management RBI/2019-20/88 DOR.NBFC (PD) CC.No.102/03/.10.001/2019-20 dated November 4, 2019

As per the Guidelines on Liquidity Risk Management Framework for NBFCs issued by RBI vide notification no. RBI/2019-20/88 DOR.NBFC (PD) CC. No.102/03.10.001/2019-20, all non-deposit taking NBFCs with asset size more than INR 5000 Crores are required to maintain Liquidity Coverage Ratio (LCR) from December 1, 2020, with the minimum LCR to be 60%, progressively increasing, till it reaches the required level of 100%, by December 1, 2024.

Particulars	Quarter ended 30 June 2022		Quarter ended 30 September 2022		Quarter ended 31 December 2022		Quarter ended 31 March 2023	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets								
1. Total High Quality Liquid Assets (comprise of cash on hand and demand deposits with Scheduled Commercial Banks and unencumbered Government Securities)	29,355.74	29,355.74	22,772.07	22,772.07	22,919.35	22,919.35	21,829.49	21,829.49
Cash outflows								
2. Deposits (for deposit taking companies)	-	-	-	-	-	-	-	-
3. Unsecured wholesale funding	-	-	-	-	-	-	-	-
4. Secured wholesale funding	13,288.24	15,281.48	16,611.36	19,103.07	15,592.62	17,931.51	19,145.19	22,016.97

48. Disclosures required as per RBI Circulars/Directives

Disclosure pursuant to Reserve Bank of India Master Direction DNBR.PD.008/03.10.119/2016-17 dated September 01, 2016

Particulars	Quarter ended 30 June 2022		Quarter ended 30 September 2022		Quarter ended 31 December 2022		Quarter ended 31 March 2023	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
5. Additional requirements, of which	-	-	-	-	-	-	-	-
(i) Outflows related to derivative exposures an other collateral requirements	-	-	-	-	-	-	-	-
(ii) Outflows related to loss on funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	-	-	-	-	-	-	-	-
6. Other contractual funding obligations	-	-	-	-	-	-	-	-
7. Other contingent funding obligations	19,859.16	22,838.03	13,013.70	14,965.75	8,043.48	9,250.00	3,055.56	3,513.89
8. Total cash outflows	**33,147.40**	**38,119.51**	**29,625.06**	**34,068.82**	**23,636.10**	**27,181.51**	**22,200.75**	**25,530.86**
Cash Inflows								
9. Secured Lending	16,064.17	12,048.13	16,934.71	12,701.03	18,372.20	13,779.14	20,466.34	15,349.75
10. Inflows from fully performing exposures	-	-	-	-	-	-	-	-
11. Other cash inflows	46,501.20	34,875.90	31,364.72	23,523.54	29,332.55	21,999.42	57,678.73	43,259.05
12. Total cash inflows	**62,565.38**	**46,924.03**	**48,299.43**	**36,224.57**	**47,704.75**	**35,778.56**	**78,145.07**	**58,608.80**
	Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**	
13. Total HQLA		**29,355.74**		**22,772.07**		**22,919.35**		**21,829.49**
14. Total Net cash outflows		**9,529.88**		**8,517.21**		**6,795.38**		**6,382.72**
15. Liquidity Coverage Ratio (%)		**308%**		**267%**		**337%**		**342%**

48. Disclosures required as per RBI Circulars/Directives

Disclosure pursuant to Reserve Bank of India Master Direction DNBR.PD.008/03.10.119/2016-17 dated September 01, 2016

Particulars	Quarter ended 30 June 2021		Quarter ended 30 September 2021		Quarter ended 31 December 2021		Quarter ended 31 March 2022	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets								
1. Total High Quality Liquid Assets (comprise of cash on hand and demand deposits with Scheduled Commercial Banks and unencumbered Government Securities)	7,877.00	7,876.71	15,816.00	15,816.46	33,179.16	33,179.16	30,764.11	30,764.11
Cash outflows								
2. Deposits (for deposit taking companies)	-	-	-	-	-	-	-	-
3. Unsecured wholesale funding	-	-	-	-	-	-	-	-
4. Secured wholesale funding	13,839.99	15,915.99	9,440.00	10,856.08	13,533.46	15,563.48	13,603.97	15,644.57
5. Additional requirements, of which	-	-	-	-	-	-	-	-
(i) Outflows related to derivative exposures an other collateral requirements	-	-	-	-	-	-	-	-
(ii) Outflows related to loss on funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	-	-	-	-	-	-	-	-
6. Other contractual funding obligations	-	-	-	-	-	-	1,870.23	2,150.77
7. Other contingent funding obligations	20,000.00	23,000.00	20,000.00	23,000.00	20,000.00	23,000.00	20,000.00	23,000.00
8. Total cash outflows	**33,839.99**	**38,915.99**	**29,440.00**	**33,856.08**	**33,533.46**	**38,563.48**	**35,474.22**	**40,795.34**
Cash Inflows								
9. Secured Lending	13,880.63	10,410.55	13,975.00	10,481.33	14,637.62	10,978.22	13,009.18	11,312.33
10. Inflows from fully performing exposures	-	-	-	-	-	-	-	-
11. Other cash inflows	113,159.27	84,868.78	110,154.00	82,614.85	84,366.46	63,274.85	36,537.01	31,771.31
12. Total cash inflows	**127,039.90**	**95,279.33**	**124,129.00**	**93,096.17**	**99,004.08**	**74,253.07**	**49,546.20**	**43,083.64**
		Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**
13. Total HQLA		**7,876.71**		**15,816.46**		**33,179.16**		**30,764.11**
14. Total Net cash outflows		**9,729.00**		**8,464.02**		**9,640.87**		**10,198.83**
15. Liquidity Coverage Ratio (%)		**81%**		**187%**		**344%**		**302%**

Notes:

1. The average weighted and unweighted amounts are calculated based on simple average of monthly observations for the quarters ended June 30, 2022, September 30, 2022 and December 31, 2022 and based on simple average of daily observations for the quarter ended March 31, 2023. The weightage factor applied to compute weighted average value is constant for all the quarters.
2. Prior to introduction of LCR framework, the company used to maintain a substantial share of its liquidity in form of fixed deposits with banks and investment in mutual funds. Post the introduction of LCR framework, the Company has consciously worked towards increasing its investment in High Quality Liquid Assets (HQLA) as per the RBI guidelines.
3. Weighted values have been calculated after the application of respective haircuts (for HQLA) and stress factors on inflow and outflow.
4. The disclosures above are based on the information and records maintained and compiled by the management and have been relied upon by the auditors.
5. RBI has mandated minimum liquidity coverage ratio (LCR) of 60% to be maintained by December 2022, which is to be gradually increased to 100% by December 2024. The Company has LCR of 342% as of March 31, 2023 as against the LCR of 60% mandated by RBI.

Qualitative information:

1. The Company has implemented the guidelines on Liquidity Risk Management Framework prescribed by the Reserve Bank of India requiring maintenance of Liquidity Coverage Ratio (LCR), which aim to ensure that an NBFC maintains an adequate level of unencumbered HQLAs that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario.
2. LCR = Stock of High-Quality Liquid Assets (HQLAs)/Total Net Cash Outflows over the next 30 calendar days.
3. HQLAs comprise of cash on hand, demand deposits with Scheduled Commercial Banks and Unencumbered government securities.
4. Total net cash outflows are arrived after taking into consideration total expected cash outflows minus total expected cash inflows for the subsequent 30 calendar days. As prescribed by RBI, total net cash outflows over the next 30 days = Stressed Outflows - [Min (stressed inflows; 75% of stressed outflows)]. Total expected cash outflows (stressed outflows) are calculated by multiplying the outstanding balances of various categories or types of liabilities and off-balance sheet commitments by 115% (15% being the rate at which they are expected to run off further or be drawn down). Total expected cash inflows (stressed inflows) are calculated by multiplying the outstanding balances of various categories of contractual receivables by 75% (25% being the rate at which they are expected to under-flow).
5. Other cash inflows" include mutual funds and callable fixed deposits maturing within 30 days.
6. The Liquidity Risk Management framework of the Company is governed by its Liquidity Risk Management Policy and Procedures approved by the Board. The Asset Liability Management Committee (ALCO) oversees the implementation of liquidity risk management strategy of the Company and ensure adherence to the risk tolerance/limits set by the Board.
7. The Company maintains a funding profile with no undue concentration of funding sources. In order to ensure a diversified borrowing mix, concentration of borrowing through various sources is monitored. Further, the Company has prudential limits on investments in different instruments. There is no currency mismatch in the LCR. The above is periodically monitored by ALCO.

48. Disclosures required as per RBI Circulars/Directives

AG. Disclosure as per format prescribed under notification RBl/2020-21/16 DOR No BP BC/3/21.04 048/2020-21 dated 6 August 2020 for the period ended 31 March 2023 (borrowers who has been provided restructuring under RBI Resolution Framework – 2.0):

Type of borrower**	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the previous year (A)	Of (A), aggregate debt that slipped into NPA during the year	Of (A) amount written off during the year	Of (A) amount paid by the borrowers during the year	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the year
Personal Loans	2,561.30	298.49	44.67	447.35	1,770.79
Corporate persons*	-	-	-	-	-
Of which MSMEs	-	-	-	-	-
Others	4,800.62	578.60	178.35	717.44	3,326.23
Total	**7,361.92**	**877.09**	**223.02**	**1,164.79**	**5,097.02**

*As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016.

** Classification of borrowers is based on the data available with the Company and has been relied upon by the auditors. Above loans are secured wholly by mortgage of property.

Particulars	As at March 31, 2023	As at March 31, 2022
AH. Disclosure pertaining to RBI Master Direction - RBI/DOR/2021-22/85 DOR.STR.REC.53/21.04.177/2021-22 Reserve Bank of India (Securitisation of Standard Assets) Directions, 2021 dated September 24, 2021		
Details of Securitisation during the year Securitisation of Assets		
1. No of Special Purpose Vehicle's (SPV's) sponsored by the NBFC for securitisation transactions (Nos.)	15.00	11.00
2. Total amount of securitised assets as per books of the SPVs sponsored by the NBFC	96,153.62	40,985.67
3. Total amount of exposures retained by the NBFC to comply with Minimum Retention Ratio (MRR) as on the date of balance sheet		
a) Off-balance sheet exposures		
- First loss	-	-
- Others	-	-
b) On-balance sheet exposures		
- First loss	32,350.19	25,426.26
- Others	-	-
4. Amount of exposures to securitisation transactions other than MRR		
a) Off-balance sheet exposures		
i) Exposure to own securitisations		
- First loss	-	-
- Others	-	-
b) On-balance sheet exposures		
i) Exposure to own securitisations		
- First loss	-	-
- Others (Receivables from SPV's for Assets De-recognised)	-	-
ii) Exposure to third party securitisations		
- First loss	-	-
- Others	-	-
5. Sale consideration received for securitised assets and gain or loss on account of sale of Securitisation during the year	80,956.24	-
6. Performance of facility provided (Credit Enhancement)		
(a) Amount Paid	-	-
(b) Repayment received	-	-
(c) Outstanding Amount	32,350.19	25,426.26
7. Average default rate of portfolio*		
(a) Loan agaisnt property	0.03%- 0.80%	0.03%- 0.42%
8. Additional/top up loan given on the same underlying asset.		
- Amount (Lakhs)	3,595.26	3,189.86
- Number	2,217.00	2,057.00
9. Investor Complaints		
(a) Received	-	-
(b) Outstanding	-	-

The Company had additionally consummated 2 transactions during the financial year ended March 31, 2021 under the partial credit guarantee scheme of the Government of India. The above disclosure does not include the details pertaining to these transactions. The amount payable towards such transactions as at March 2023 aggregates to INR 4,015.56 lakhs. (As at March 31, 2022 - INR 8,731.02 lakhs) and first loss credit enhancement towards such transactions as at March 31, 2023 is INR 6,119.65 lakhs (As at March 31, 2022 - INR 5,621.28 lakhs)

*The period considered is from the date of initiation of the securitisation transactions till the period then ended.

AI. Disclosure pertaining to RBI Master Direction - RBI/DOR/2021-22/86 DOR.STR.REC.51/21.04.048/2021-22 Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021 dated September 24, 2021

Details of Assignments during the year

a). The Company has not transferred any loans during year ended March 31, 2023.

b). The Company has not acquired any loans (not in default) through assignment during the financial year ended March 31, 2023.

c). The Company has neither acquired nor transferred any stressed loans during the year ended March 31, 2023.

The securitised loans disclosed in the above notes (i.e 48-AH) do not qualify for de-recognition under Ind-AS. Nevertheless, the information in the notes is presented to ensure compliance with the RBI disclosure requirements.

The Company has neither entered into any assignment transaction nor sold financial assets to Securitisation / Reconstruction Company for Asset Reconstruction. Hence the related disclosures are not applicable.

AJ. Disclosure pursuant to Reserve Bank of India Master Direction DNBR.PD.008/03.10.119/2016-17 dated September 01, 2016

As at 31 March 2023

Comparison between Ind AS 109 provisions and IRAC Norms

Asset Classification as per RBI norms	Asset Classification as per Ind AS 109	Gross carrying amount as per Ind AS	Loss allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provision required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
Performing assets						
Standard assets	Stage 1	618,839.49	2,030.55	616,808.94	2,665.36	(634.81)
	Stage 2	63,249.87	4,434.05	58,815.82	575.77	3,858.28
Subtotal		**682,089.36**	**6,464.60**	**675,624.76**	**3,241.13**	**3,223.47**
Non -Performing assets*						
Substandard	Stage 3	5,541.72	1,403.23	4,138.50	501.65	901.58
Subtotal for Substandard		**5,541.72**	**1,403.23**	**4,138.50**	**501.65**	**901.58**
Doubtful						
Upto 1 year	Stage 3	3,734.14	3,130.45	603.70	599.60	2,530.85
1 to 3 years	Stage 3	117.98	100.52	17.46	28.80	71.72
More than 3 years	Stage 3	-	-	-	-	-
Subtotal for doubtful		**3,852.12**	**3,230.97**	**621.16**	**628.40**	**2,602.57**
Loss assets	Stage 3	-	-	-	-	-
Subtotal for NPA		**9,393.85**	**4,634.20**	**4,759.66**	**1,130.05**	**3,504.15**
Total		**691,483.21**	**11,098.80**	**680,384.42**	**4,371.18**	**6,727.62**
As at 31 March 2022						
Performing assets						
Standard assets	Stage 1	4,21,696.37	1,448.46	420,247.91	2,003.46	(554.99)
	Stage 2	79,706.41	6,989.17	72,717.24	745.23	6,243.94
Subtotal		**501,402.78**	**8,437.63**	**492,965.15**	**2,748.69**	**5,688.95**
Non -Performing assets*						
Substandard	Stage 3	4,253.95	794.88	3,459.07	373.52	421.36
Doubtful						
Upto 1 year	Stage 3	1,051.05	1,056.07	(5.02)	171.28	884.79
1 to 3 years	Stage 3	-	-	-	-	-
More than 3 years	Stage 3	-	-	-	-	-
Subtotal for doubtful		**1,051.05**	**1,056.07**	**(5.02)**	**171.28**	**884.79**
Loss assets	Stage 3	-	-	-	-	-
Subtotal for NPA		**5,305.00**	**1,850.95**	**3,454.04**	**544.80**	**1,306.15**
Total		**506,707.77**	**10,288.58**	**496,419.19**	**3,293.49**	**6,995.10**

Note:Provision required as per IRACP norms includes provision calculated on Securitised portfolio

AK. In terms of the requirement as per RBI notifications no. RBI/2019-20/170 DOR (NBFC).CC. PD No. 109/22.10.106/2019-20 dated March 13, 2020 on implementation of Indian accounting standards, Non-Banking Financial Companies (NBFCs) are required to create an impairment reserve for any shortfall in impairment allowances under Ind AS 109 and Income recognition, Asset Classification and Provisioning (IRACP) Norms (including provision on standard assets). The impairment allowances under Ind AS 109 made by the Company exceeds the total provision required under IRACP (including standard asset provisioning) and accordingly, no amount is required to be transferred to impairment reserve.

On November 12, 2021, the Reserve Bank of India (RBI) had issued circular no. RBI/2021-2022/125 DOR.STR.REC.68/21.04.048/2021-22, requiring changes to and clarifying certain aspects of Income Recognition, Asset Classification and Provisioning norms (IRACP norms) pertaining to Advances.

Effective October 1, 2022, the Company implemented the requirements on upgradation of accounts classified as NPA as clarified in RBI Circular on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications dated November 12, 2021 and February 15, 2022, on upgradation of accounts classified as NPA.

AL. Disclosures as per RBI/2022-23/26 DOR.ACC.REC.No/21.04.018/2022-23 dated April 19, 2022

S. No.	Sectors	Total Exposure (includes on balance sheet and off-balance sheet exposure)	Gross NPAs	Percentage of Gross NPAs to total exposure in that sector	Total Exposure (includes on balance sheet and off-balance sheet exposure)	Gross NPAs	Percentage of Gross NPAs to total exposure in that sector
i) Sector wise exposures*							
	1. Agriculture and Allied Activities	-	-	0.00%	-	-	-
	2. Industry	-	-	0.00%	-	-	0.00%
	3. Services	-	-	0.00%	-	-	0.00%
	Others	461,713.93	6,617.95	1.43%	316,345.00	3,748.74	1.19%
	Total of Services	461,713.93	6,617.95	1.43%	316,345.00	3,748.74	1.19%
	4. Personal Loans						
	i) Housing Loans	400.13	11.34	2.83%	524.13	10.66	2.03%
	Others	-	-	-	-	-	-
	Total Personal Loans	400.13	11.34	2.83%	524.13	10.66	2.03%
	5. Others (Specify)	229,369.15	2,764.56	1.21%	189,838.64	1,545.58	0.81%
	Total	**691,483.21**	**9,393.85**	**1.36%**	**506,707.77**	**5,304.99**	**1.05%**

*The amounts disclosed above excludes Inter-Corporate Deposits amounting to INR 1,842.24 lakhs as at March 31, 2023. (March 31, 2022 - INR 13,821.88 lakhs)

Particulars	Current Year	Previous Year
ii) Disclosure of complaints		
Summary information on complaints received by the NBFCs from customers and from the Offices of Ombudsman		
Complaints received by the NBFC from its customers		
1. Number of complaints pending at beginning of the year	1	-
2. Number of complaints received during the year	13	69
3. Number of complaints disposed during the year	14	68
3.1. Of which, number of complaints rejected by the NBFC	-	-
4. Number of complaints pending at the end of the year	-	1
Maintainable complaints received by the NBFC from Office of Ombudsman		
5. Number of maintainable complaints received by the NBFC from Office of Ombudsman	78	30
5.1. Of 5, number of complaints resolved in favour of the NBFC by Office of Ombudsman	78	30
5.2. Of 5, number of complaints resolved through conciliation/mediation/advisories issued by Office of Ombudsman	-	-
5.3. Of 5, number of complaints resolved after passing of Awards by Office of Ombudsman against the NBFC	-	-
6. Number of Awards unimplemented within the stipulated time (other than those appealed)	-	-

S. No.	Grounds of complaints	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
	1	2	3	4	5	6
Top five grounds of complaints received by the NBFCs from customers						
For the year ended 31 March 2023						
1	Foreclosure related	-	8	100%	-	-
2	Staff Interaction / Collection related-	-	33	57%	-	-
3	Loans and Advances- Dues and Charges	-	8	-65%	-	-
4	Closure & NOC related	-	10	-55%	-	-
5	Moratorium related	-	14	133%	-	-
6	Others	1	17	-37%	-	-
Total		**1**	**90**	**-9%**	**-**	**-**
For the year ended 31 March 2022						
1	Foreclosure related	-	-	0%	-	-
2	Staff Interaction / Collection related-	-	21	2000%	-	-
3	Loans and Advances- Dues and Charges	-	23	475%	-	-
4	Closure & NOC related	-	22	47%	-	-
5	Moratorium related	-	06	-33%	-	-
6	Others	-	27	238%	1	1
Total		**-**	**99**	**168%**	**1**	**1**

(iii). Related Party Disclosures

S. No. Related Parties / Items	Directors		Key Management Personnel		Others*		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
1. Short-term employee benefits	-	-	1,316.88	1,109.75	-	-	1,316.88	1,109.75
2. Post employment benefits	-	-	0.88	1.06	-	-	0.88	1.06
3. Share based payment	-	-	1,860.56	2,971.33	-	-	1,860.56	2,971.33
4. Reimbursement of Expenses (from)	-	-	-	-	2,684.05	-	2,684.05	-
5. Issue of shares	-	-	0.03	49.04	-	-	0.03	49.04
6. Receipt of pending call money on partly paid up shares	-	-	-	147.04	-	-	-	147.04
7. Securities Premium	-	-	3.93	35,880.63	-	-	3.93	35,880.63
8. Directors sitting fees	50.70	47.10	-	-	-	-	50.70	47.10
9. Commission to Directors	30.00	24.00	-	-	-	-	30.00	24.00
10. Personal Guarantee received for Borrowings	-	-	41,500.00	9,217.18	-	-	41,500.00	9,217.18

* Comprises of transactions with entities with significant influence over the Company.

iv) Breach in Debt Covenants

There are no instances during the year ended March 31, 2023 and March 31, 2022 ,where the Company has breached the covenants on debt securities and on borrowings other than debt securities.

v) Divergence in Asset Classification and Provisioning

There has been no divergence in Gross NPAs as assessed by the Reserve Bank of India during the year ended March 31, 2023 and March 31, 2022.

49. Other statutory information

(i). The Company does not have any Benami property, where any proceeding has been initiated or pending against the Group for holding any Benami property.

(ii). The Company does not have transactions with companies struck off under Section 248 of the Companies Act, 2013 or section 560 of the Companies Act, 1956.

(iii). The Company does not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period,

(iv). The Company has not traded or invested in Crypto currency or Virtual Currency during the financial year.

(v). The Company borrows funds from various Banks and financial institutions for the purpose of onward lending to end customers as per the terms of such borrowings. These transactions are part of the Company's normal lending activities, which is conducted after exercising proper due diligence including adherence to the terms of credit policies and other relevant guidelines.

Other than the nature of transactions described above.

(i). No funds have been advanced or loans or invested by the Company to or in any other person(s) or entity(ies) ("intermediaries") with the understanding that the Intermediary shall lend or invest in party identified by or on behalf of the Company ("Ultimate beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

(ii). The Company has not received any fund from any party(s) (Funding Party) with the understanding that the Company shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Company ("Ultimate beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

(vi). The Company does not have any such transaction which is not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961

(vii). The Company is not declared as wilful defaulter by any bank or financial institution or any other lender.

(viii). The Company is maintaining its book of account in electronic mode and these books of account are accessible at all times and the back-up of books of account has been kept in servers physically located in India on a daily basis from the applicability date of the Accounts Rules, i.e. August 5, 2022 onwards.

(ix). Stage wise Overdue (DPD) based Loan disclosure

Particulars	Count	Stage 1	Stage 2	Stage 3	Total
As at March 31, 2023					
Gross carrying amount					
Accounts with No Overdues	244,331	581,224.19	665.11	26.00	581,915.30
Accounts with Overdues	49,703	39,457.70	62,584.60	9,367.85	111,410.15
Total	**294,034**	**620,681.89**	**63,249.71**	**9,393.85**	**693,325.45**
As at March 31, 2022					
Gross carrying amount					
Accounts with No Overdues	160,842	380,550.82	749.48	9.38	381,309.68
Accounts with Overdues	56,911	54,967.42	78,956.93	5,295.62	139,219.97
Total	**217,753**	**435,518.24**	**79,706.41**	**5,305.00**	**520,529.65**

*3166 loan accounts in Stage 3 as on March 31, 2023 (March 31, 2022 - 1621 loan accounts)

The above table includes Inter-Corporate Deposits amounting to INR 1,842.24 lakhs as at March 31, 2023 (INR 13,821.88 lakhs as at March 31, 2022)

50. Analytical ratios

a) Liquidity Coverage Ratio (LCR)

As per the Guidelines on Liquidity Risk Management Framework for NBFCs issued by RBI vide notification no. RBI/2019-20/88 DOR.NBFC (PD) CC. No.102/03.10.001/2019-20, all non-deposit taking NBFCs with asset size more than INR 5,000 Crores are required to maintain Liquidity Coverage Ratio (LCR) from December 1, 2022, with the minimum LCR to be 60%, progressively increasing, till it reaches the required level of 100%, by December 1, 2024.

Particulars	High Quality Liquid Assets ("HQLA")	Net cash outflows	Current period	Previous reporting period	Variance	Reasons for variance (if above 25%)
Quarter ended March 31, 2023	21,829.49	6,382.72	342%	302%	13%	-
Quarter ended March 31, 2022	30,764.11	10,198.83	302%	162%	86%	Increase on account of equity infusion during the year and deployment in HQLA assets

Particulars	Tier I Capital / Tier II Capital / Toal Capital	Risk-weighted assets	Current period	Previous reporting period	Variance	Reasons for variance (if above 25%)
b) Capital adequacy ratios						
As at March 31, 2023						
CRAR	390,860.96	581,897.51	67.17%	75.20%	-11%	NA
CRAR - Tier I Capital	390,860.96	581,897.51	67.17%	75.20%		
CRAR - Tier II Capital	-	-	-	-		
As at March 31, 2022						
CRAR	33,581.47	44,658.62	75.20%	58.86%	28%	Increase on amount of equity infusion during the intervening period.
CRAR - Tier I Capital	33,581.47	44,658.62	75.20%	58.86%		
CRAR - Tier II Capital	-	-	-	-		

Particulars	Debt Securities	Borrowings (other than debt securities)
51. Change in liabilities arising from financing activities		
As at March 31, 2021	**130,378.55**	**212,141.12**
Cash flows (net)	(31,097.32)	(58,192.09)
Others*	1,572.14	1,080.72
As at March 31, 2022	**100,853.38**	**155,029.75**
Cash flows (net)	(47,474.95)	217,049.79
Others*	(895.43)	165.37
As at March 31, 2023	**52,483.00**	**372,244.91**

* Includes the effect of interest accrued but not due, amortization of processing fees etc.

As per our report of even date
For **S.R.Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm registration number: 101049W/E300004

per **Bharath N S**
Membership No: 210934

Place: Chennai
Date: May 09, 2023

For and on behalf of the Board of Directors of
Five-Star Business Finance Limited
CIN : U65991TN1984PLC010844

D Lakshmipathy
Chairman & Managing Director
DIN : 01723269

R Anand
Independent Director
DIN : 00243485

G Srikanth
Chief Financial Officer

K Rangarajan
Chief Executive Officer

B Shalini
Company Secretary
ACS: A51334

Place: Chennai
Date: May 09, 2023

FIVE STAR
Business Finance Limited

Five-Star Business Finance Limited
New No.27, Old No.4, Taylor's Road,
Kilpauk, Chennai - 600 010.
Phone: 044-46106200
www.fivestargroup.in